

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015



Dave Yost • Auditor of State

SUGARCREEK TOWNSHIP
GREENE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sugarcreek Township
Greene County
2090 Ferry Road
Bellbrook, Ohio 45305

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 Sugarcreek Township, Greene 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.

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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, Sugarcreek Township, Greene County 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 January 29, 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

January 29, 2018

Sugarcreek Township
Greene County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$280,418	\$4,566,262		\$4,846,680
Charges for Services		181,843		181,843
Licenses, Permits and Fees	156,596	5,922		162,518
Fines and Forfeitures	10,588	3,346		13,934
Intergovernmental	633,658	952,673		1,586,331
Earnings on Investments	7,177	321		7,498
Miscellaneous	37,828	167,130		204,958
<i>Total Cash Receipts</i>	<u>1,126,265</u>	<u>5,877,497</u>		<u>7,003,762</u>
Cash Disbursements				
Current:				
General Government	1,025,056	48,586		1,073,642
Public Safety		4,242,637		4,242,637
Public Works		994,085		994,085
Health	28,687			28,687
Other		6,003		6,003
Capital Outlay		115,299		115,299
Debt Service:				
Principal Retirement			95,000	95,000
Payment to Refunded Bond Escrow Agent			1,050,833	1,050,833
Interest and Fiscal Charges			29,275	29,275
<i>Total Cash Disbursements</i>	<u>1,053,743</u>	<u>5,406,610</u>	<u>1,175,108</u>	<u>7,635,461</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>72,522</u>	<u>470,887</u>	<u>(1,175,108)</u>	<u>(631,699)</u>
Other Financing Receipts (Disbursements)				
Sale of Refunding Bonds		19,167	1,050,833	1,070,000
Sale of Capital Assets	442	47,281		47,723
Transfers In			124,275	124,275
Transfers Out		(124,275)		(124,275)
Other Financing Uses		(24,087)		(24,087)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>442</u>	<u>(81,914)</u>	<u>1,175,108</u>	<u>1,093,636</u>
<i>Net Change in Fund Cash Balances</i>	72,964	388,973		461,937
<i>Fund Cash Balances, January 1</i>	<u>266,175</u>	<u>1,910,319</u>		<u>2,176,494</u>
Fund Cash Balances, December 31				
Restricted		2,230,008		2,230,008
Committed		69,284		69,284
Assigned	117,215			117,215
Unassigned (Deficit)	221,924			221,924
<i>Fund Cash Balances, December 31</i>	<u>\$339,139</u>	<u>\$2,299,292</u>		<u>\$2,638,431</u>

See accompanying notes to the basic financial statements

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Sugarcreek Township
Greene 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 Sugarcreek Township, Greene 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, police protection, fire protection and emergency medical services.

Public Entity Risk Pools

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

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

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 Funds:

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

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Permissive Motor Vehicle License Fund The permissive motor vehicle license fund receives motor vehicle license tax restricted for maintenance and repair of roads within the Township.

Police District Fund The police district fund receives property tax money for providing law enforcement services within the Township.

Fire District Fund The fire district fund receives property tax money to provide fire and rescue services to the Township.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Bond Anticipation Note Fund The bond anticipation note fund accounts for and reports resources restricted for the retirement of debt issued to finance road projects within the Township.

General Bond Retirement Fund The general bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance long term debt for the Township's public safety building.

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 funds:

Clyo Road Capital Project Fund The Clyo road capital project fund was used to account for receipts and payments to finance the Clyo Road improvement project.

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).

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.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township did not have any investment during the year.

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 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.

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.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 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 – 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	\$994,068	\$1,126,707	\$132,639
Special Revenue	5,508,470	5,943,945	435,475
Debt Service	149,275	1,175,108	1,025,833
Total	\$6,651,813	\$8,245,760	\$1,593,947

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,103,352	\$1,055,823	\$47,529
Special Revenue	6,120,190	5,580,425	539,765
Debt Service	149,275	1,175,108	(1,025,833)
Total	\$7,372,817	\$7,811,356	(\$438,539)

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$2,638,431

Deposits

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

Note 5 – 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 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of 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.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Risk Management (Continued)

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 \$18,000

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>2016 Contributions to OTARMA</u>
\$40,543

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.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2016.

Social Security

Some township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar years 2016, and 2015. OP&F contributes 0.5 percent to fund these benefits.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Purpose Refunding & Improvement Bonds	\$1,070,000	1-2%

In August of 2005, the Township issued General Purpose Refunding and Improvement Bonds in the amount of \$1,865,000. The bonds were used to retire Bond Anticipation Notes issue in 2004. The bonds were refinanced in 2016. This disclosure does not include the related defeased debt or assets, since trusted assets should provide sufficient resources to retire the debt

In September 2016, the Township refinanced and retired \$1,030,000 in 2005 General Purpose Refunding and Improvement Bonds by issuing \$1,070,000 in 2016 Building Improvement Limited Tax General Obligation Refunding Bonds. 2016 refunding bonds resulted in savings of \$153,641 and will mature in 2025

Amortization

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

Year Ending December 31:	General Obligation Bonds
2017	\$129,303
2018	129,805
2019	128,586
2020	127,264
2021	120,780
2022-2025	529,257
Total	\$1,164,995

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service Funds by \$1,025,833 for the year ended December 31, 2016 due to the Township not budgeting for the 2016 Building Improvement Limited Tax General Obligation Refunding Bonds.

Sugarcreek Township
Greene County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$279,535	\$4,524,888			\$4,804,423
Charges for Services		157,418			157,418
Licenses, Permits and Fees	107,602	3,980			111,582
Fines and Forfeitures	10,761	1,048			11,809
Intergovernmental	97,004	877,378		1,417,536	2,391,918
Earnings on Investments	6,383	378		353	7,114
Miscellaneous	15,715	377,721			393,436
<i>Total Cash Receipts</i>	<u>517,000</u>	<u>5,942,811</u>		<u>1,417,889</u>	<u>7,877,700</u>
Cash Disbursements					
Current:					
General Government	479,250	32,474			511,724
Public Safety		4,528,476			4,528,476
Public Works		1,226,247		309,615	1,535,862
Health	30,371				30,371
Other		217			217
Capital Outlay		99,617		1,131,496	1,231,113
Debt Service:					
Principal Retirement			280,000		280,000
Interest and Fiscal Charges			61,575		61,575
<i>Total Cash Disbursements</i>	<u>509,621</u>	<u>5,887,031</u>	<u>341,575</u>	<u>1,441,111</u>	<u>8,179,338</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,379</u>	<u>55,780</u>	<u>(341,575)</u>	<u>(23,222)</u>	<u>(301,638)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	433	46,452			46,885
Transfers In			341,575		341,575
Transfers Out		(341,575)			(341,575)
Advances In	69,932	216,107			286,039
Advances Out				(286,039)	(286,039)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>70,365</u>	<u>(79,016)</u>	<u>341,575</u>	<u>(286,039)</u>	<u>46,885</u>
<i>Net Change in Fund Cash Balances</i>	<u>77,744</u>	<u>(23,236)</u>		<u>(309,261)</u>	<u>(254,753)</u>
<i>Fund Cash Balances, January 1</i>	<u>188,431</u>	<u>1,933,555</u>		<u>309,261</u>	<u>2,431,247</u>
Fund Cash Balances, December 31					
Restricted		1,856,318			1,856,318
Committed		54,001			54,001
Assigned	109,284				109,284
Unassigned (Deficit)	156,891				156,891
<i>Fund Cash Balances, December 31</i>	<u>\$266,175</u>	<u>\$1,910,319</u>			<u>\$2,176,494</u>

See accompanying notes to the basic financial statements

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Sugarcreek Township
Greene 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 Sugarcreek Township, Greene 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, police protection, fire protection and emergency medical services.

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

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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.

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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:

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Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Permissive Motor Vehicle License Fund The permissive motor vehicle license fund receives motor vehicle license tax restricted for maintenance and repair of roads within the Township.

Police District Fund The police district fund receives property tax money for providing law enforcement services within the Township.

Fire District Fund The fire district fund receives property tax money to provide fire and rescue services to the Township.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Bond Anticipation Note Fund The bond anticipation note fund accounts for and reports resources restricted for the retirement of debt issued to finance road projects within the Township.

General Bond Retirement Fund The general bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance long term debt for the Township's public safety building.

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 funds:

Clyo Road Capital Project Fund The Clyo road capital project fund was used to account for receipts and payments to finance the Clyo Road improvement project.

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).

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.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township did not have any investment during the year.

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 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.

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:

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 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 – 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	\$468,000	\$587,365	\$119,365
Special Revenue	5,644,939	5,989,263	344,324
Debt Service	341,575	341,575	0
Capital Projects	1,830,978	1,417,889	(413,089)
Total	\$8,285,492	\$8,336,092	\$50,600

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 3 – Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$525,374	\$509,621	\$15,753
Special Revenue	6,590,655	6,228,606	362,049
Debt Service	341,575	341,575	0
Capital Projects	2,139,716	1,727,150	412,566
Total	\$9,597,320	\$8,806,952	\$790,368

Note 4 – Deposits and Investments

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

	2015
Demand deposits	\$2,176,494

Deposits

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

Note 5 – 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 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 6 – Risk Management (Continued)

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 and 2014

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$22,000.

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.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 6 – Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$41,295	\$40,464

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement System

Township’s certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages and 24 percent of full-time fire fighters’ wages, respectively. The Township has paid all contributions required through December 31, 2015.

Social Security

Some township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar years 2015, and 2014. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Purpose Refunding & Improvement Bonds	\$1,125,000	3-5%

In August of 2005, the Township issued General Purpose Refunding and Improvement Bonds in the amount of \$1,865,000. The bonds were used to retire Bond Anticipation Notes issue in 2004. The bonds mature on December 31, 2025.

In May 2012, the Township issued Certificate of Participation in the amount of \$560,000. The bonds were used in part to refund the Certificate of Participation issued in 2010 and in part to fund the Clio Road project. The certificates matures on June 1, 2015.

Amortization

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

<u>Year Ending December 31:</u>	<u>General Obligation Bonds</u>
2016	\$149,275
2017	145,000
2018	145,725
2019	146,225
2020	141,500
2021-2025	723,250
Total	\$1,450,975

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Sugarcreek Township
Greene County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 11 – Subsequent Events

During 2016, the Township issued \$1,070,000 in building improvement limited tax general obligation refunding bonds. The proceeds from the bonds were used to refund \$1,125,000 in General Purpose Refunding and Improvement bonds.

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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

Sugarcreek Township
Greene County
2090 Ferry Road
Bellbrook, Ohio 45305

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 the Sugarcreek Township, Greene County, (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 January 29, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2018

SUGARCREEK TOWNSHIP
GREENE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. Additionally, **Ohio Rev. Code § 5705.36(A)(3)** states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

During 2016, the Township refinanced and retired series 2005 general purpose refunding and improvement bonds by issuing \$1,070,000 in 2016 building improvement limited tax general and improvement bonds. The Township did not budget for the refunding issue or request an amended certificate of estimated resources' from the County budget commission. This resulted in the expenditures in the Debt Service funds exceeding the appropriations by \$1,025,833. Actual receipts also exceeded estimated receipts by the same amount in the debt service funds.

The Township should develop and implement procedures to properly monitor its budgetary activity relating to appropriations and available resources. This would enable the Township to comply with budgetary requirements while limiting the risk of spending more funds than are available thus resulting in deficit fund balances. When additional money becomes available, the Township should amend its certificate and appropriations accordingly if the money is intended to be spent.

Official's Response: We did not receive a response from Officials to this finding.

<i>Finding Number</i>	2016-002
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MATERIAL WEAKNESS

The Township presented its 2016 and 2015 financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. The following errors noted in the Township's financial statements were determined to be qualitatively or quantitatively material and required audit adjustments to properly present the Township's financial activity:

1. The Township understated Assigned fund balance and overstated unassigned balance by \$117,215 and \$109,284 in the General Fund at December 31, 2016 and 2015 due to subsequent year appropriations exceeding estimated receipts
2. The Township reported the Zoning Fund as a part of the special revenue rather than a component of the General Fund. This led to an understatement of ending balance, disbursements, revenues and opening balance in the General Fund and an overstatement of ending balance, disbursements, revenues and opening balance in the special revenue funds of \$2,340, \$40,365, \$30,982 and \$11,723 respectively on the combined statement of receipts, disbursements and changed in fund balances (cash basis) for the year ended December 31, 2015.

3. During 2016, the Township returned advances made in previous years to capital project funds back to the General and Special Revenue Funds. The Township booked the return of monies as fund balance adjustment instead of Advances in the respective funds. This resulted in Advances out being understated by \$286,039 in the Capital Projects fund, advances in were understated in the General Fund by \$69,932 and by \$216,107 in the Special Revenue Funds. Fund Cash Balance, January 1 was understated by \$286,039 in the Capital Projects Fund and overstated by \$69,932 and \$216,107 in the General and Special Revenue Funds respectively.
4. During 2016, the Township issued \$1,070,000 in building improvement limited tax general obligation refunding bonds. The Township placed \$1,050,833 from the refunding into an escrow account to retire the outstanding bonds. The Township did not book the payment made into the escrow account, this resulted in the Sale of Bonds revenue being understated by \$1,050,833 and payments to refund bond escrow agent being understated by the same amount in Debt Service Fund. Additionally, the Township posted remaining \$19,167 in bond proceeds as miscellaneous revenues in the Special Revenue Funds.

Other immaterial errors were noted for 2015 and 2016 that have been reported to the Township's management in the Summary of Unadjusted Differences form

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Official's Response: We did not receive a response from Officials to this finding.



**SUGARCREEK TOWNSHIP
GREENE COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Financial Statement misstatements related to proper classification of Zoning fund and fund balance classification	Partially corrected	Zoning fund classification corrected in 2016 Repeated as finding 2016-001

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Dave Yost • Auditor of State

SUGARCREEK TOWNSHIP

GREENE 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
FEBRUARY 1, 2018