

**OHIO AUDITOR OF STATE
KEITH FABER**



**Sugar Creek Township
Wayne County, Ohio**

**Fiscal Analysis
As of December 31, 2017**

Local Government Services Section

OHIO AUDITOR OF STATE **KEITH FABER**



January 31, 2019

Portions of the attached audit report were completed prior to the commencement of my term of office on January 14, 2019. Those portions completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

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Sugar Creek Township, Wayne County

Fiscal Analysis

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 For the Year Ending December 31, 2018

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OHIO AUDITOR OF STATE KEITH FABER



Fiscal Analysis

The Auditor of State performed a fiscal analysis of the Sugar Creek Township pursuant to Sections 118.03 and 118.022 of the Ohio Revised Code. This analysis took the form of a review of the financial conditions at December 31, 2017 and the examination of a financial forecast of the general fund for the year ending December 31, 2018. This analysis indicates that a fiscal watch does not exist at the Sugar Creek Township.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Scott Widmer, President of the Board of Trustees and Kimberly Murnieks, Director of the Office of Budget and Management.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2019

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Sugar Creek Township, Wayne County

Fiscal Analysis

Introduction

Under the authority provided for in Section 118.021 of the Ohio Revised Code, the Township Trustees initiated and performed an analysis for Sugar Creek Township, Wayne County (the Township) as of December 31, 2017, to determine whether the fiscal condition of the Township justifies the declaration of fiscal emergency.

A Township is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists as of December 31. The six conditions are: 1) default on any debt obligation; 2) failure to make payment of all payroll; 3) and increase in the minimum levy of the Township which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in Township funds; 6) a sizeable deficiency when the Township's treasury balance is compared to the positive cash balances of the Township's funds.

The existence of the conditions described under Conditions four, five, and six of this report at year-end do not constitute a basis for the declaration of fiscal emergency if the Township clearly demonstrates to the satisfaction of the Auditor of State that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2017.

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

There was no outstanding debt from the 2016 audited financial statements. The existing minutes for the period of January 1, 2017 through December 31, 2017 were reviewed to identify any new debt issues. There were no new debt issuances during 2017.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The Township has not defaulted on its debt obligation for more than thirty days as of December 31, 2017.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

Sugar Creek Township, Wayne County

Fiscal Analysis

We reviewed the payroll records of the Township as of December 31, 2017. We reviewed the Township Council's minutes, ordinances and other personnel records to determine the employees of the Township, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports to see if payroll checks were issued on the scheduled pay dates. These procedures were performed to ascertain whether Township employees had been paid within the time specified by Section 118.03(A)(2) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of December 31, 2017. All employees have been paid in amounts and at the times required by Township ordinance and negotiated agreements.

Condition Three - Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Wayne County Auditor whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the Township for 2017 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Wayne County Auditor indicated that the Budget Commission had not taken any action to increase the inside millage of the Township for 2017.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of December 31, 2017. The Wayne County Budget Commission has not taken any action to increase the inside millage of the Township, thus reducing another subdivision's inside millage.

Condition Four - Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

Sugar Creek Township, Wayne County

Fiscal Analysis

We prepared a schedule of accounts payable as of December 31, 2017, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2017, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I
General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2017

	Payables Over 30 Days Past Due	General Fund Balance Available	Payables In Excess of Available Balance	One-Sixth of General Fund Budget	Accounts Payable in Excess of General Fund Budget
General	\$12,036	\$9,313	\$2,723	\$22,459	\$0

We prepared a schedule of accounts payable (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2017. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-twelfth of the available revenues during 2017, excluding non-recurring receipts of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II
Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.022(A)(1)(b)
As of December 31, 2017

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Payables In Excess of Available Balance	One-Twelfth of the Available Revenues	Accounts Payable in Excess of Available Revenues
General	\$12,036	\$9,313	\$2,723	\$11,230	\$0

Conclusion: Schedules I and II indicate that as of December 31, 2017, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable which were at least thirty days past-due at the end of the year, less the year-end balance in the general fund and respective special funds did not exceed one-sixth of the general fund budget and available revenues of those special funds as of December 31, 2017. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist at year-end.

Sugar Creek Township, Wayne County

Fiscal Analysis

Condition Five - Deficit Fund Balances

Section 118.03(A)(5), of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2017, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. No additional calculations were performed, as there were no adjusted aggregate fund deficits.

Section 118.03(B), Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all deficit amounts of deficit funds, as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code, to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds, shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

Conclusion: a fiscal emergency condition does not exist under Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2017.

Condition Six - Treasury Deficiency

Section 118.03(A)(6), of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Township's reconciled bank balances to its fund cash balances as of December 31, 2017. From the treasury balance, we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2017 to determine if a treasury deficiency exists.

Sugar Creek Township, Wayne County

Fiscal Analysis

Schedule III	
	Amounts as of
	<u>12/31/2017</u>
Bank Balances	
Farmers National Primary Checking	\$60,830
Farmers National Money Market	177,616
Adjustments:	
Outstanding Checks	<u>(54,493)</u>
Total Bank Balances	<u>183,953</u>
Less: Positive Fund Balances	
General	9,213
Motor Vehicle License Tax	21,579
Gasoline Tax	53,615
Road and Bridge	79,994
Permissive Motor Vehicle License Tax	15,878
Street Lighting	<u>3,674</u>
Total Positive Balances	183,953
Treasury Deficit	0
One-sixth of Treasury Receipts	<u>132,135</u>
Treasury Surplus	<u><u>\$132,135</u></u>

Conclusion: a fiscal emergency condition does not exist under Sections 118.03(A)(6) of the Ohio Revised Code, at December 31, 2017.

Financial Forecast

Section 118.022(A)(4) of the Ohio Revised Code defines a fiscal watch condition as:

Based on an examination of the financial forecast approved by the legislative body of a municipal corporation, county, or township, the Auditor of State certifies that the general fund deficit at the end of the current year will exceed one-twelfth of the general fund revenue from the preceding year.

The Sugar Creek Township Trustees approved a financial forecast of the general fund for the year ending December 31, 2018. The Auditor of State examined the forecast and issued a report dated December 11, 2018 (see Appendix A). The financial forecast anticipates a positive fund balance at December 31, 2018.

Conclusion: The financial forecast of the general fund for the year ending December 31, 2018, indicates that a fiscal watch does not exist under Section 118.022(A)(4) of the Ohio Revised Code. The forecast reflects that the general fund has a positive fund balance at December 31, 2018.

Summary

A fiscal emergency is the existence of at least one of the conditions defined above. This analysis indicates that no fiscal emergency exists at Sugar Creek Township as defined in Section 118.03(A) as of December 31, 2017.

Sugar Creek Township, Wayne County

Fiscal Analysis

We performed the procedures necessary to determine whether a financial forecast for fiscal watch as set forth in Section 118.021 of the Ohio Revised Code existed as of December 31, 2018, at Sugar Creek Township. The results of our analysis indicate that a fiscal watch does not exist at Sugar Creek Township as defined in Section 118.022(a)(4) of the Ohio Revised Code.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

APPENDIX A

**Sugar Creek Township
Wayne County**

Financial Forecast

For the Year Ending December 31, 2018

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Sugar Creek Township, Ohio

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Dave Yost • Auditor of State

Board of Trustees
Sugar Creek Township
245 South Wenger Road
P.O. Box 213
Dalton, Ohio 44618

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of Sugar Creek Township for the year ending December 31, 2018, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. Sugar Creek Township's management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitable supported and provide a reasonable basis for the management's forecast.

There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the years ended December 31, 2016 and 2017 were compiled by us and we have not audited or reviewed the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying financial statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for determining that the cash basis of accounting is an acceptable framework. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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DAVE YOST
Auditor of State

December 11, 2018

SUGAR CREEK TOWNSHIP, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016 and 2017, Actual; and
Ending December 31, 2018; Forecasted
General Fund

	2016 Actual	2017 Actual	2018 Forecasted	Variance Increase (Decrease)
<u>Revenues:</u>				
Property Taxes	\$55,664	\$54,158	\$56,658	\$2,500
Intergovernmental	43,059	43,556	44,355	799
Charges For Services	0	200	0	(200)
Fees, Licenses and Permits	14,878	15,689	15,893	204
Investment Income	256	186	139	(47)
Miscellaneous Grants	0	1,550	0	(1,550)
Donations and Contributions	0	11,976	2,600	(9,376)
Rentals	20,700	18,975	23,115	4,140
Other	646	2,727	52,625	49,898
Total Revenues	135,203	149,017	195,385	46,368
<u>Expenditures:</u>				
Current:				
General Government				
Administration				
Personal Services	33,560	33,643	42,169	8,526
Employee Fringe Benefits	32,016	23,649	24,419	770
Contractual Services	43,838	47,304	87,836	40,532
Supplies and Materials	479	171	179	8
Other	1,883	600	1,741	1,141
Total Administration	111,776	105,367	156,344	50,977
Townhall, Memorial Buildings and Grounds				
Contractual Services	5,215	5,376	2,742	(2,634)
Supplies and Materials	28	81	0	(81)
Total Townhall, Memorial Buildings and Grounds	5,243	5,457	2,742	(2,715)
Total General Government	117,019	110,824	159,086	48,262
Public Safety				
Fire Protection				
Contractual Services	70,000	72,500	0	(72,500)
Health				
Health District				
Contractual Services	24,565	26,831	27,313	482
Total Expenditures	211,584	210,155	186,399	(23,756)
Excess of Revenues Over (Under) Expenditures	(76,381)	(61,138)	8,986	70,124
Cash Balance, January 1	146,782	70,451	9,313	(61,138)
<u>Restatement:</u>				
Correction of Prior Period Errors	50	0	0	0
Cash Balance, December 31	70,451	9,313	18,299	8,986
Estimated Encumbrances, December 31	0	0	0	0
Unencumbered Fund Balance, December 31	\$70,451	\$9,313	\$18,299	\$8,986

See accompanying summary of significant forecast assumptions and accounting policies
See independent accountant's report

Sugar Creek Township – Wayne County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Year Ending December 31, 2018

Note 1 - The Township

Sugar Creek Township (the Township) is located in Northeastern Ohio in Wayne County and was incorporated as a Township in 1803 under the laws of the State of Ohio. The Township is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The decision making process is directed by an elected Township Board of Trustees. The Board of Trustees is the legislative authority of Sugar Creek Township and consists of three members who are elected at large and serve terms of four years. The Township also has a separately elected Fiscal Officer which assists the Trustees.

The Township provides general government services, road and bridge maintenance and cemetery maintenance. Each of these activities is under the direct control of the Board of Trustees, which appropriates for, and finances, their operation. The Township contracts with the Kidron Volunteer Fire Department and with the East Wayne Fire District for fire protection. Police protection is provided by the Wayne County Sheriff.

Note 2 - Nature of Presentation

This financial forecast, to the best of the knowledge and belief of the Sugar Creek Township, presents the expected revenues, expenditures, expenses, and changes in fund balances of the general fund for the forecasted period. Accordingly, the forecast reflects the Township's judgment of the expected conditions and its expected course of action as of December 11, 2018, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Township is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The Township maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The Township uses various fund types and funds to report on its financial position and the results of its operation. The fund types and restrictions associated with each are as follows:

Sugar Creek Township – Wayne County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Year Ending December 31, 2018

Governmental Funds

General Fund - The General Fund is the operating fund of the Township and is used to account for and report all financial resources, except those required to be 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 in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the Township or its residents.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the Township on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Sugar Creek Township – Wayne County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Year Ending December 31, 2018

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Township, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Township must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Township Trustees. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Township Trustees. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Township uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Operating Assumptions

The Township will continue to operate and maintain current service levels and pay all obligations. In addition, the Township will continue to monitor and limit expenditures on materials, supplies, and capital outlay. The forecast contains those expenditures the Township has determined to be necessary to preserve the health, welfare, and safety of the citizens of the Township.

Note 5 – Revenues and Other Financing Sources Assumptions

A. General and Tangible Personal Property Taxes

Property tax revenues consist of real property, public utility real and personal property taxes. The Township may request advances from the Wayne County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Township are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues, and are forecasted to increase by \$2,500 based upon information provided by the Wayne County Auditor.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Township for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last triennial update was completed in 2017 for taxes collected in 2018. The next reappraisal is scheduled for 2020 for taxes collected in 2021. The Township’s assessed values upon which property tax receipts were based for the last three years are as follows:

Sugar Creek Township – Wayne County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Year Ending December 31, 2018

Class of Property	2016	2017	2018
Real Property	\$149,694,530	\$148,812,690	\$158,447,770
Public Utility	4,325,520	4,485,010	4,768,270
Total Assessed Value	<u>\$154,020,050</u>	<u>\$153,297,700</u>	<u>\$163,216,040</u>

The property tax revenues are generated from inside and voted millage and receipted into the general fund and the road and bridge and the fire and rescue, ambulance and EMS services funds.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	\$0.40
Road and Bridge	Inside Ten Mill Limitation (Unvoted)	2.80
Road Improvement	Outside Ten Mill Limitation (Voted)	2.00
Fire and EMS	Outside Ten Mill Limitation (Voted)	1.00
Total Tax Rate		<u>\$6.20</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

B. Intergovernmental Revenues

Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead and cigarette tax. The local government funds are distributed monthly by the State to the County and paid by the County Auditor to the Township. The property tax allocations for rollback, homestead, and tangible personal property tax are received from the State and are based on information provided by the Wayne County Auditor.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Township for the loss of real property taxes caused by the homestead and rollback tax relief programs.

C. Charges for Services

During 2017, the Township charged for opening and closing a grave. This is not forecasted to occur in 2018.

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D. Fees, Licenses, and Permits

Fees, Licenses, and Permits represent franchise fees received from cable utilities. The receipts are estimated based on actual revenue received to date and a conservative average of historical collections.

E. Investment Income

Investment income receipts are forecasted at an average of the revenues received to date projected out to a full year.

F. Miscellaneous Grants

During 2017, the Township received a Civic grant from First Energy. This is not forecasted to reoccur in 2018.

G. Donations and Contributions

Donation and contribution revenues are forecasted based upon actual receipts to date.

H. Rentals

Rental revenues represent monthly cell tower lease payments from CCATT Holdings. Rental revenue is forecasted to increase due to the Township receiving the December 2017 payment in 2018.

I. Other

Other revenues consist mainly of various refunds and reimbursements. Other revenue collections are not consistent from year to year. During 2016, the Township withdrew from the East Wayne Fire District effective January 1, 2017. The Township received \$51,698 as a partial payout of the initial buy-in to the East Wayne Fire District. The remaining forecasted amount is a conservative estimate of the most likely items to be collected.

Note 6 - Expenditure Assumptions

A. Personal Services

Personal services include the salaries paid to the elected officials of the Township on a monthly basis. The Township's employees are paid on a bi-weekly basis and elected officials are paid monthly. Township Trustees and the Fiscal Officer are compensated based upon the Township's budget in the amounts set forth in Ohio Revised Code 505.24.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension system, workers' compensation, Medicare, vacation, sick leave, personal days and medical, prescription, eye care and dental health coverage.

The Township Trustees and Fiscal Officer participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Township is required to contribute 14 percent (the maximum) of their annual salary.

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Workers' compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

The Township provides employee health benefits through the Wayne County Benefit Plan. Insurance premiums are paid by the fund that pays the employees' salary. Health insurance costs are forecasted to increase in 2018, based on the current premium rate.

C. Contractual Services

Contractual services include utility charges (street lighting, telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, and accounting and auditing services. The forecasted amounts are based on anticipated needs as identified by Township Trustees, including any encumbrances carried over from 2017.

An overall decrease in contractual services is forecasted for 2018. This is primarily due to the Township paying for fire protection with the fire and EMS property tax levy. This decrease of \$72,500 is offset by an increase in legal fees of \$41,723.

D. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies, fuel, information technology supplies, and repair and maintenance costs. The forecasted amounts are based on anticipated needs as identified by the Township Trustees, including any encumbrances carried over from 2017. Supplies and materials are forecasted to remain consistent with 2017.

E. Other

Other expenditures are based on anticipated needs as identified by Township Trustees, including any encumbrances carried over from 2017.

Note 7 - Contingencies

A. Litigation

The Township is party to legal proceedings. The Township is a defendant in litigation with an area joint fire district. A judgment has been entered against the Township by the Court of Common Pleas, Wayne County. The judgment is under appeal and remains a contingent claim. The trial court has stayed the effect of the judgment pending the appellate court ruling. The Township management is of the opinion that the ultimate disposition of these claims and legal proceedings will have a material effect on the financial condition of the Township.

B. Grants

The Township received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.

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Note 8 – Encumbrances

The Township uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The estimated encumbrances at year-end are not significant; therefore, nothing is forecasted.

OHIO AUDITOR OF STATE KEITH FABER



SUGAR CREEK TOWNSHIP

WAYNE 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
JANUARY 31, 2019**