



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

BLENDON TOWNSHIP
FRANKLIN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015
Fiscal Years Audited Under GAGAS: 2016 and 2015



Dave Yost • Auditor of State

Board of Trustees
Blendon Township
6330 Hempstead Road
Westerville, Ohio 43081

We have reviewed the *Independent Auditor's Report* of the Blendon Township, Franklin County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Blendon Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 15, 2017

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Blendon Township
Franklin County, Ohio
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Independent Auditor's Report

Blendon Township
Franklin County
6330 Hempstead Road
Westerville, Ohio 43081

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balance, receipts, and disbursements by fund type and related notes of Blendon Township, Franklin County, (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 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 opinion.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or 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 combined cash balances of the Blendon Township, Franklin County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2017, on our consideration of the Township's internal control over financial reporting and on 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 Standard* in considering the Township's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Columbus, Ohio
June 25, 2017

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$ 1,690,394	\$ 3,506,011	\$ 28,747	\$ -	\$ 5,225,152
Intergovernmental	258,396	830,545	-	-	1,088,941
Charges for Services	55,958	-	-	-	55,958
Fines and Forfeitures	32,375	-	-	-	32,375
Fines, Licenses, and Permits	-	124,554	-	-	124,554
Earnings on Investments	61,111	1,782	-	-	62,893
Miscellaneous	94,580	218,467	-	-	313,047
	<u>2,192,814</u>	<u>4,681,359</u>	<u>28,747</u>	<u>-</u>	<u>6,902,920</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	631,974	-	-	-	631,974
Public Safety	63,945	3,699,727	-	-	3,763,672
Public Works	12,459	363,978	-	-	376,437
Health	45,642	205,418	-	-	251,060
Human Services	211,335	-	-	-	211,335
Capital Outlay	2,679,808	1,090,164	-	-	3,769,972
Debt Service:					
Redemption of Principal	-	-	25,000	-	25,000
Interest and Fiscal Charges	-	-	6,336	-	6,336
Bond Issuance Costs	-	-	195,552	-	195,552
	<u>3,645,163</u>	<u>5,359,287</u>	<u>226,888</u>	<u>-</u>	<u>9,231,338</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	(1,452,349)	(677,928)	(198,141)	-	(2,328,418)
Other Financing Receipts/(Disbursements):					
Bond Proceeds	-	-	5,505,000	-	5,505,000
BAN Proceeds	-	-	5,280,000	-	5,280,000
Premium on Notes Issued	-	-	68,112	-	68,112
Premium on Bonds Issued	-	-	484,236	-	484,236
Transfers In	2,050,000	2,760,000	-	-	4,810,000
Transfers Out	(210,000)	-	(4,600,000)	-	(4,810,000)
Other Financing Sources	17,226	-	-	-	17,226
	<u>1,857,226</u>	<u>2,760,000</u>	<u>6,737,348</u>	<u>-</u>	<u>11,354,574</u>
Total Other Financing Receipts/(Disbursements)					
Net Change in Fund Cash Balances	404,877	2,082,072	6,539,207	-	9,026,156
Fund Cash Balances, January 1	3,423,207	1,720,491	13,077	7,510	5,164,285
Fund Cash Balances, December 31					
Nonspendable	-	-	-	7,510	7,510
Restricted	-	3,802,563	6,552,284	-	10,354,847
Unassigned	3,828,084	-	-	-	3,828,084
	<u>3,828,084</u>	<u>3,802,563</u>	<u>6,552,284</u>	<u>7,510</u>	<u>14,190,441</u>
Fund Cash Balances, December 31	<u>\$ 3,828,084</u>	<u>\$ 3,802,563</u>	<u>\$ 6,552,284</u>	<u>\$ 7,510</u>	<u>\$ 14,190,441</u>

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

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$ 1,754,196	\$ 3,479,058	\$ 22,867	\$ -	\$ 5,256,121
Intergovernmental	250,465	111,002	-	-	361,467
Special Assessments	-	51,671	-	-	51,671
Charges for Services	37,031	-	-	-	37,031
Fines, Licenses, and Permits	31,015	120,405	-	-	151,420
Earnings on Investments	37,404	4,521	-	-	41,925
Miscellaneous	142,312	401,532	-	-	543,844
Total Cash Receipts	<u>2,252,423</u>	<u>4,168,189</u>	<u>22,867</u>	<u>-</u>	<u>6,443,479</u>
Cash Disbursements:					
Current:					
General Government	737,183	-	-	-	737,183
Public Safety	60,696	3,250,318	-	-	3,311,014
Public Works	21,556	628,574	-	-	650,130
Health	43,567	175,248	-	-	218,815
Human Services	186,634	-	-	-	186,634
Miscellaneous	-	2,429	-	-	2,429
Capital Outlay	209,485	62,540	-	-	272,025
Debt Service:					
Redemption of Principal	-	-	25,000	-	25,000
Interest and Fiscal Charges	-	-	6,838	-	6,838
Total Cash Disbursements	<u>1,259,121</u>	<u>4,119,109</u>	<u>31,838</u>	<u>-</u>	<u>5,410,068</u>
Total Cash Receipts Over/(Under) Cash Disbursements	993,302	49,080	(8,971)	-	1,033,411
Other Financing Receipts/(Disbursements):					
Transfers In	-	210,000	-	-	210,000
Transfers Out	(210,000)	-	-	-	(210,000)
Other Financing Sources	20,042	-	-	-	20,042
Total Other Financing Receipts/(Disbursements)	<u>(189,958)</u>	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>20,042</u>
Net Change in Fund Cash Balances	803,344	259,080	(8,971)	-	1,053,453
Fund Cash Balances, January 1	2,619,863	1,461,411	22,048	7,510	4,110,832
Fund Cash Balances, December 31					
Nonspendable	-	-	-	7,510	7,510
Restricted	-	1,720,491	13,077	-	1,733,568
Unassigned	3,423,207	-	-	-	3,423,207
Fund Cash Balances, December 31	<u>\$ 3,423,207</u>	<u>\$ 1,720,491</u>	<u>\$ 13,077</u>	<u>\$ 7,510</u>	<u>\$ 5,164,285</u>

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

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Blendon Township, Franklin County, Ohio (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 and cemetery maintenance. The Township contracts with the City of Westerville to provide ambulance and fire protection services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA). OTARMA is a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

The Township also participates in two jointly governed organizations. Note 8 to the financial statements provides additional information for these entities. These organizations are:

Blendon-Westerville Joint Economic Development Zone (JEDZ) – the Township Trustees approved the formation of this JEDZ with the City of Westerville in November of 2012. The parties have entered into a contract to create and provide for the operation of the JEDZ in accordance with Sections 715.691 of the Ohio Revised Code. See Note 8 for further information.

Blendon-Westerville Cooperative Economic Development Agreement (CEDA) – the Township Trustees approved an agreement with the City of Westerville to cooperate in creating and preserving jobs and employment opportunities and to cooperate in including and fostering economic development. See Note 8 for further information.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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 values U.S. Treasury Notes at cost (or fair value when donated). Money market mutual funds are recorded at share values the mutual funds report.

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for the proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police District Fund – This fund receives property tax money to pay for police services.

Fire Levy Fund – This fund receives property tax money to pay for providing fire protection to Township residents.

3. 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 Retirement Fund – This fund accounts for tax monies the Township accumulates for payment to the City of Westerville for the Township's portion of the new fire station.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

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

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2016	2015
Demand Deposits	\$ 4,525,661	\$ 1,117,648
Certificates of deposit	2,988,330	3,251,160
Total deposits	7,513,991	4,368,808
U.S. Treasury/Agency Securities	-	500,290
Money Market	1,304,210	295,187
Total investments	1,304,210	795,477
Total deposits and investments	\$ 8,818,201	\$ 5,164,285

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

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,213,100	\$ 4,260,041	\$ 46,941
Special Revenue	7,400,230	7,441,358	41,128
Debt Service	10,661,580	11,366,095	704,515
Total	<u>\$ 22,274,910</u>	<u>\$ 23,067,494</u>	<u>\$ 792,584</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,910,250	\$ 3,855,163	\$ 2,055,087
Special Revenue	7,664,900	5,359,288	2,305,612
Debt Service	10,642,100	10,199,129	442,971
Total	<u>\$ 24,217,250</u>	<u>\$ 19,413,580</u>	<u>\$ 4,803,670</u>

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,950,000	\$ 2,272,465	\$ 322,465
Special Revenue	4,956,400	4,378,189	(578,211)
Debt Service	34,700	22,867	(11,833)
Total	<u>\$ 6,941,100</u>	<u>\$ 6,673,521</u>	<u>\$ (267,579)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,953,750	\$ 1,469,121	\$ 484,629
Special Revenue	4,999,789	4,119,109	880,680
Debt Service	33,000	31,838	1,162
Total	<u>\$ 6,986,539</u>	<u>\$ 5,620,068</u>	<u>\$ 1,366,471</u>

4. PROPERTY TAX

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

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

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

On November 16, 2016, The Township issued \$5,505,000 of Various Purpose Bonds. The Bonds through a negotiated sale were purchased by Fifth Third Securities, Inc. at a combined true interest cost of 2.86% for the purpose of:

Paying the costs of improving the Township cemetery by repairing and replacing existing roadways by grading, paving and installing drainage and landscape.

Paying the costs of improving the Township's public safety services by acquiring and equipping two police cruisers.

Along with other available monies, retiring the Township's outstanding \$5,280,000 Various Purpose Notes, Series 2016, dated February 9, 2016 and maturing February 9, 2017 originally issued for the purposes of paying the costs of improving the Township's roadway infrastructure, the Township's complex and the Township's park facilities.

The Township levied tax monies to be remitted to the City of Westerville as the Township's portion of the fire station improvements. The Township receives tax monies which are then remitted to the City of Westerville has principal and interest payments recorded in the Debt Service Fund. In 2012, the Township refinanced their outstanding debt that included their interest rate decreasing from 5.5% to 3.3% annually. The payments are due in semi-annual installments of varying amounts through 2023.

	Principal	Interest Rate
City of Westerville	180,000	3.30%
BAN	5,280,000	2.00%
Various Purpose Bonds	5,505,000	2.86%
Total	\$10,965,000	

Amortization

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

		Various Purpose	
Year ending December 31:	City of Westerville	Bonds	BAN
2017	\$ 30,838	\$ 417,615	\$ 5,280,000
2018	30,338	417,025	-
2019	29,838	418,425	-
2020	29,275	419,750	-
2021	28,650	426,000	-
2022-2026	59,150	2,023,400	-
2027-2031	-	1,574,200	-
2032-2036	-	1,501,000	-
2037-2039	-	767,400	-
Total	\$ 208,089	\$ 7,964,815	\$ 5,280,000

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include postretirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. For 2016 and 2015, OPERS – Law Enforcement members contributed 13% and 12.6%, respectively, of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

7. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Assets	\$38,473,283	\$37,313,311
Liabilities	<u>8,244,140</u>	<u>8,418,518</u>
Net Position	<u>\$30,229,143</u>	<u>\$28,894,793</u>

At December 31, 2016 and 2015 the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable.

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

7. RISK MANAGEMENT (Continued)

The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016 and 2015, respectively. 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 \$19,000.

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>Contributions to OTARMA</u>	
<u>2016</u>	<u>2015</u>
\$35,638	\$42,133

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.

8. JOINT VENTURES

Blendon-Westerville Joint Economic Development Zone (JEDZ) - this JEDZ was created to facilitate new or expanded growth for commercial and economic development within the JEDZ and the State for the benefit of the City of Westerville, the Township, and the State, and their residents. A Board of Directors has been established, which includes three members appointed by the Township and three members appointed by the City of Westerville. The Board shall adopt bylaws and procedures for the regulations of the affairs of the Board and the conduct of business of the Board consistent with the Contract including the election of Board officers, the holdings and conducting of regular and special meetings, the appropriations procedures to provide for payment of the expenses of the JEDZ and distribution of income tax revenues pursuant to the Contract, and the purchasing of goods and services and the making of capital improvements. The fiscal year shall be the calendar year. The Board shall adopt an annual budget for the JEDZ.

Blendon-Westerville Cooperative Economic Development Agreement (CEDA) – The CEDA agreement addresses the issues of annexation, road maintenance, fire and emergency service, and joint planning in the CEDA area, which includes the Township. The CEDA also provides for the sharing of income tax on any new businesses locating in the agreement area.

9. TRANSFERS

During 2016, the Township made transfers totaling \$210,000 and \$4,600,000 from the General Fund and Bond Fund, respectively, to provide additional support to the Gasoline Tax, Road and Bridge, Police District and General funds. During 2015, the Township made transfers totaling \$210,000 from the General Fund to provide additional support to the Gasoline Tax, Road and Bridge and Police District funds.

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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.

11. SUBSEQUENT EVENTS

On February 7, 2017 the Township used the proceeds from the 2016 Bond issue to paid off the Bond Anticipation Note in the amount of \$5,280,000.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Blendon Township
Franklin County
6330 Hempstead Road
Westerville, Ohio 43081

To the Board of Trustees:

We have audited, in accordance with the 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 the Blendon Township, Franklin 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 June 25, 2017, wherein we noted the Township followed financial reporting provisions that 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 opinion 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 2016-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

BHM CPA Group

BHM CPA Group, Inc.
Columbus, Ohio
June 25, 2017

**BLENDON TOWNSHIP
FRANKLIN COUNTY**

**December 31, 2016 and 2015
Schedule of Findings**

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

FINDING NUMBER 2016-001

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and Board of Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Miscellaneous revenue
- Earnings on Investments
- Public works expense
- Principal Retirement
- Interest and Fiscal Charges
- Bond Issuance Costs
- Bond Proceeds
- Premium on Notes Issued
- Premium on Bonds Issued

All of the above noted adjustments have been posted to the Township's financial statements and accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Fiscal Office should review the Ohio Township Manual for guidance on the correct line item to poste various transaction relating to the issuing of debt.

Client Response:

We did not receive a response for the above finding.



Dave Yost • Auditor of State

BLENDON TOWNSHIP

FRANKLIN 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
AUGUST 29, 2017**