

UNION TOWNSHIP
CLERMONT COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016**



Dave Yost • Auditor of State

Board of Trustees
Union Township
4350 Aicholtz Rd
Cincinnati, OH 45245

We have reviewed the *Independent Auditor's Report* of Union Township, Clermont County, prepared by Bastin & Company, LLC, 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. Union Township is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

May 25, 2017

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UNION TOWNSHIP
CLERMONT COUNTY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

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 Union Township, Clermont County, (the Township) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles


In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016, or changes in financial position thereof for the year 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 Union Township, Clermont County as of December 31, 2016, and its combined cash receipts and disbursements for the year 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 April 17, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in dark ink and is positioned above the typed name and date.

Cincinnati, Ohio
April 17, 2017

Union Township
Clermont County
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 | \$ 1,134,715 | \$ 14,134,918 | \$ - | \$ 15,269,633 |
| Charges for Services | - | 772,129 | - | 772,129 |
| Licenses, Permits and Fees | 562,950 | 588,843 | - | 1,151,793 |
| Fines and Forfeitures | 103,180 | - | - | 103,180 |
| Intergovernmental | 277,950 | 2,552,652 | - | 2,830,602 |
| Special Assessments | - | 63,635 | - | 63,635 |
| Payments in Lieu of Taxes | - | 8,094,250 | - | 8,094,250 |
| Earnings on Investments | 82,960 | 9,322 | - | 92,282 |
| Miscellaneous | 519,400 | 614,067 | - | 1,133,467 |
| <i>Total Cash Receipts</i> | <u>2,681,155</u> | <u>26,829,816</u> | <u>-</u> | <u>29,510,971</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 2,438,793 | 5,598,335 | - | 8,037,128 |
| Public Safety | - | 14,343,749 | - | 14,343,749 |
| Public Works | - | 1,748,656 | - | 1,748,656 |
| Health | 371,844 | 311,141 | - | 682,985 |
| Conservation/Recreation | 595,459 | - | - | 595,459 |
| Capital Outlay | 187,037 | 2,501,106 | - | 2,688,143 |
| Debt Service: | | | | |
| Principal Retirement | - | 3,787,311 | 28,625,000 | 32,412,311 |
| Interest and Fiscal Charges | - | 1,517,190 | 127,381 | 1,644,571 |
| <i>Total Cash Disbursements</i> | <u>3,593,133</u> | <u>29,807,488</u> | <u>28,752,381</u> | <u>62,153,002</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(911,978)</u> | <u>(2,977,672)</u> | <u>(28,752,381)</u> | <u>(32,642,031)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Notes | - | 2,600,000 | 28,625,000 | 31,225,000 |
| Premium on Debt | - | - | 127,381 | 127,381 |
| Note Issuance Costs | - | (15,350) | - | (15,350) |
| Proceeds from Sale of Capital Assets | - | 2,830,012 | - | 2,830,012 |
| Transfers-In | 4,450,030 | 2,312,123 | - | 6,762,153 |
| Transfers-Out | (3,028) | (6,759,125) | - | (6,762,153) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>4,447,002</u> | <u>967,660</u> | <u>28,752,381</u> | <u>34,167,043</u> |
| <i>Net Change in Fund Cash Balances</i> | 3,535,024 | (2,010,012) | - | 1,525,012 |
| <i>Fund Cash Balances, January 1</i> | <u>9,941,530</u> | <u>10,185,032</u> | <u>36,473</u> | <u>20,163,035</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 8,175,020 | 36,473 | 8,211,493 |
| Assigned | 99,130 | - | - | 99,130 |
| Unassigned | 13,377,424 | - | - | 13,377,424 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 13,476,554</u> | <u>\$ 8,175,020</u> | <u>\$ 36,473</u> | <u>\$ 21,688,047</u> |

See accompanying notes to the basic financial statements

UNION TOWNSHIP
Clermont 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 Union Township, Clermont County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Blended Component Unit

The Union Township, Clermont County Community Improvement Corporation, Inc. (CIC), a non-profit organization, is a five member board comprised of the three Township trustees, the Township fiscal officer, and one Township official. The CIC derives the major source of its revenues from Union Township in the form of capital and cash contributions. The CIC fosters economic development in the Township. The CIC works with the Township in many aspects of the overall adopted economic development strategy of the Township with its current efforts focused on facilitating industrial and retail development. Financial statements related to the CIC can be obtained from the Township Planning and Zoning Director. The cash activity for the CIC is reported as part of the Special Revenue fund type of the Township.

Jointly Governed Organizations

The Township participates in jointly governed organizations. Note 13 to the financial statements provides additional information for these entities.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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:

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Police District Fund The police district fund accounts for and reports that portion of property tax and intergovernmental monies restricted for the operation of the Township's police department.

Fire District Fund The fire district fund accounts for and reports that portion of property tax and intergovernmental monies restricted for the operation of the Township's fire department.

TIF Fund The TIF fund accounts for and reports that portion of payments in lieu of taxes under tax increment financing agreements on properties located within the Township restricted for the operation of the Township's TIF districts.

Debt Service Funds These funds accounts 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 Fund:

General Bond Retirement Fund The general bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements deemed to benefit the Township.

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.

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.

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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.

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

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended December 31, 2016

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 | \$ 6,700,000 | \$ 7,131,185 | \$ 431,185 |
| Special Revenue | 25,738,538 | 26,254,884 | 516,346 |
| Debt Service | 28,752,381 | 28,752,381 | - |
| Total | \$ 61,190,919 | \$ 62,138,450 | \$ 947,531 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 4,967,326 | \$ 3,695,291 | \$ 1,272,035 |
| Special Revenue | 32,902,412 | 27,727,907 | 5,174,505 |
| Debt Service | 28,752,381 | 28,752,381 | - |
| Total | \$ 66,622,119 | \$ 60,175,579 | \$ 6,446,540 |

Activity of the CIC, a blended component unit of the Township, is not presented in the tables above.

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 and investments at December 31, 2016 was as follows:

| | |
|----------------------------|--------------|
| Demand deposits - Township | \$21,497,478 |
| Demand deposits - CIC | 190,569 |
| Total deposits | \$21,688,047 |

The Township deposits are insured by the Federal Depository 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

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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. This rate is calculated based on accident history and administrative costs, if material.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

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 local members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. OPERS Law enforcement members contribute 13% 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.

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters 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% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2016.

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 - Debt

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

| | Principal | Interest Rate |
|---|---------------|---------------|
| 2016 Various Purpose General Obligation Bond Anticipation Notes | \$ 28,625,000 | 1.25% |
| 2016 Promissory Note | 2,129,782 | 3.01% |
| Total | \$ 30,754,782 | |

The 2016 Various Purpose General Obligation Bond Anticipation Notes relate to the Township’s capital improvements to its infrastructure, including Township park improvements, fire station improvements and road improvements. The notes were issued on September 8, 2016 in the amount of \$28,625,000 and are due, with interest, on September 7, 2017. Proceeds from the notes and other funds of the Township were used to retire \$29,665,000 Various Purpose General Obligation Bond Anticipation Notes issued in September 2015.

The 2016 Promissory Note was issued by the CIC in conjunction with a cooperative agreement with Union Township, Eastgate Brew and View, LLC and Park National Bank to provide additional funding to the developer for renovations and fixtures for the Eastgate Brew and View movie theater located within the Jungle Jim’s International Marketplace and to retire the remaining balance outstanding for the 2015 promissory note. The note was issued on June 17, 2016 in the amount of \$2,600,000 and carries an interest rate of 3.01%. An initial payment on the note that was due on November 1, 2016 included an additional principal payment of \$218,753 to the scheduled amount due of \$251,465.

The future principal and interest requirements scheduled to retire the remaining balance of the Promissory Note are as follows:

| Years Ending December 31, | Principal | Interest | Total |
|---------------------------|-------------|-----------|-------------|
| 2017 | \$ 494,602 | \$ 61,217 | \$ 555,819 |
| 2018 | 509,811 | 46,007 | 555,818 |
| 2019 | 525,489 | 30,330 | 555,819 |
| 2020 | 541,578 | 14,172 | 555,750 |
| 2021 | 58,302 | 882 | 59,184 |
| Total | \$2,129,782 | \$152,608 | \$2,282,390 |

Repayment of the note is secured by a promissory note from the developer, Eastgate Brew and View, LLC, to the CIC, along with other pledges made by the Township and the developer.

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 - Transfers

The CIC is a blended component unit of the Township and is reported within the special revenue fund type of the Township. Activities of the CIC are primarily funded by transfers from the Township. In return, the CIC collects lease and mortgage payments as well as proceeds from the sales of assets, and transfers those funds to the Township. During 2016, the Township and the CIC transferred the following amounts:

| <u>Transfer-Out Fund</u> | <u>Transfer-In Fund</u> | <u>Amount</u> |
|--------------------------|-------------------------|--------------------|
| TIF Fund | CIC | \$2,309,094 |
| General | CIC | 3,028 |
| CIC | General | 4,450,031 |
| Total Transfers | | <u>\$6,762,153</u> |

Note 11 - Intergovernmental Agreement

The Township has entered into an intergovernmental agreement with the Clermont County Transportation Improvement District (the District) to provide funding for the development and implementation of the District's projects, including those within the Township. The intergovernmental agreement provides \$100,000 per year to be paid to the District through the year 2036.

Note 12 - Contract Postal Unit

The Township has a contract with the United States Postal Service (USPS) to operate a contract postal unit (CPU). Under the contract, the Township purchases postage supplies, metered postage and stamps from stamp fulfillment services. The Township owns this inventory and is responsible for the proceeds from the sale of the inventory. The Township receives an 11 percent commission from the USPS on its CPU gross sales. Sale of the inventory is recorded as miscellaneous receipts in the General Fund and purchases of postage supplies are recorded as general government expenses in the General Fund.

Note 13 - Jointly Governed Organizations

The Township has entered into four separate contracts pursuant to the authority of Ohio Revised Code 715.72 through 715.81 with the City of Milford to create the following Joint Economic Development Districts (JEDD):

- Ivy Pointe Joint Economic Development District – Created March 2007
- Jungle Jim's Eastgate and Carepointe Clermont Joint Economic Development District – Created February 2012
- The Boys and Girls Club of Clermont County Joint Economic Development District – Created March 2013
- Mt. Carmel Brewing Company Joint Economic Development District – Created June 2013

Each JEDD was created to promote economic development activities in certain geographic areas located in Union Township. Each JEDD consist of 5 board members, one member representing the City of Milford, one

UNION TOWNSHIP
Clermont County

Notes to the Financial Statements
For the Year Ended December 31, 2016

member representing the Township, one member representing the business owners located in the District, one member representing the persons working in the District and one member selected by the other members to serve as chairperson of the District Board. Each JEDD, pursuant to Revised Code 715.74, has implemented a 1.0% income tax. Net tax revenues of each JEDD is allocated 15% to the City and 85% to the Township. The City serves as fiscal agent for the JEDD. The contracts for creating each JEDD can be terminated at any time by mutual consent of the contracting parties.

Note 14 - Special Improvement District

In November 2013 the Township created a Special Improvement District (SID) for the purpose of applying a special assessment on the development known as the Jungle Jim's International Marketplace (Jungle Jim's). The creation of the SID was part of a conduit debt financing agreement between Jungle Jim's, the Township, the Union Township CIC and the Clermont County Port Authority (Port).

The Port issued \$22,705,000 of Economic Development Special Obligation Bonds and purchased the property from Jungle Jim's. The Bonds are secured by a pledge of the Township of the assessment proceeds of the SID. Assessments of the SID are structured and levied in order for the Township to collect and remit to the Port amounts equal to the annual debt service charges on the bonds, plus an amount not to exceed \$25,000 for annual administrative expenses of the SID over a period of 20 years. The Port, as collateral to the Township, transferred title of the property to the Union Township CIC.

Note 15 - Contingent Liabilities

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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.

Bastin & Company, LLC

Certified Public Accountants

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

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

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 Union Township, Clermont County, (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated April 17, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 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.

Bastin & Company, L L C

Cincinnati, Ohio
April 17, 2017

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Dave Yost • Auditor of State

UNION TOWNSHIP

CLERMONT 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
JUNE 6, 2017