



Dave Yost • Auditor of State



**UNION TOWNSHIP  
MADISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Union Township  
Madison County  
2250 St Rt 56  
London, Ohio 43140

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, 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 Union Township, Madison 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 8, 2017

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$63,767	\$0	\$63,767
Charges for Services	0	3,157	3,157
Intergovernmental	31,928	105,489	137,417
Special Assessments	3,000	0	3,000
Earnings on Investments	247	295	542
Miscellaneous	6,488	0	6,488
<i>Total Cash Receipts</i>	<u>105,430</u>	<u>108,941</u>	<u>214,371</u>
<b>Cash Disbursements</b>			
Current:			
General Government	52,477	0	52,477
Public Safety	0	169	169
Public Works	0	133,617	133,617
Capital Outlay	0	12,558	12,558
Debt Service:			
Principal Retirement	31,750	0	31,750
<i>Total Cash Disbursements</i>	<u>84,227</u>	<u>146,344</u>	<u>230,571</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,203</u>	<u>(37,403)</u>	<u>(16,200)</u>
<i>Net Change in Fund Cash Balances</i>	21,203	(37,403)	(16,200)
<i>Fund Cash Balances, January 1</i>	<u>40,292</u>	<u>157,490</u>	<u>197,782</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	120,087	120,087
Assigned to Subsequent Year Appropriations	61,495	0	61,495
<i>Fund Cash Balances, December 31</i>	<u>\$61,495</u>	<u>\$120,087</u>	<u>\$181,582</u>

See accompanying notes to the basic financial statements

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**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Madison 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. The Township contracts with Central Townships Joint Fire District to provide Fire Services and Emergency Services.

***Public Entity Risk Pools***

The Township participates in a public entity risk pool. Note 7 provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

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

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

***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

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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 (disbursements and encumbrances) may not exceed appropriations at the fund, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits***

The Township Fiscal Officer invests all available funds of the township in interest-bearing checking accounts and Certificates of Deposit which are valued at cost.

***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.

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**Note 3- Compliance**

Contrary to Ohio law, the Township did not certify available funds for any disbursements in fiscal year 2016.

**Note 4 – Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,436	\$105,430	\$12,994
Special Revenue	107,990	108,941	951
Total	\$200,426	\$214,371	\$13,945

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,728	\$84,227	\$48,501
Special Revenue	265,480	146,344	119,136
Total	\$398,208	\$230,571	\$167,637

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 – Deposits**

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 was as follows:

	2016
Demand deposits	\$181,582
Total deposits	\$181,582

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 6 – Property Taxes**

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

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

**Note 7 - 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.

***Risk Pool Membership***

***Ohio Township Association Risk Management Authority (OTARMA)***

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.

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management (Continued)**

Casualty and Property Coverage

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

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

Financial Position

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

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

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

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2016 Contributions to OTARMA</u> \$2,750
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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.

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management (Continued)**

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 - Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

Five 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 includes postretirement healthcare and survivor and disability benefits.

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

**Note 9 – Postemployment Benefits**

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

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$65,575	\$0	\$65,575
Charges for Services	0	3,157	3,157
Intergovernmental	16,656	104,577	121,233
Special Assessments	3,000	0	3,000
Earnings on Investments	349	217	566
Miscellaneous	6,856	40	6,896
<i>Total Cash Receipts</i>	<u>92,436</u>	<u>107,991</u>	<u>200,427</u>
<b>Cash Disbursements</b>			
Current:			
General Government	46,816	0	46,816
Public Works	0	180,711	180,711
Debt Service:			
Principal Retirement	31,750	0	31,750
Interest and Fiscal Charges	2,794	0	2,794
<i>Total Cash Disbursements</i>	<u>81,360</u>	<u>180,711</u>	<u>262,071</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,076</u>	<u>(72,720)</u>	<u>(61,644)</u>
<i>Net Change in Fund Cash Balances</i>	11,076	(72,720)	(61,644)
<i>Fund Cash Balances, January 1</i>	<u>29,216</u>	<u>230,210</u>	<u>259,426</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	157,489	157,489
Committed	34,544	0	34,544
Assigned to Subsequent Year Appropriations	5,748	0	5,748
<i>Fund Cash Balances, December 31</i>	<u>\$40,292</u>	<u>\$157,490</u>	<u>\$197,782</u>

See accompanying notes to the basic financial statements

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**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Madison 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. The Township contracts with Central Townships Joint Fire District to provide Fire Services and Emergency Services.

***Public Entity Risk Pools***

The Township participates in a public entity risk pool. Note 7 provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

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

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

***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

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2015 budgetary activity appears in Note 4.

***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.

***Deposits***

The Township Fiscal Officer invests all available funds of the township in interest-bearing checking accounts and Certificates of Deposit which are valued at cost.

***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.

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

**Note 3- Compliance**

Contrary to Ohio law, the Township did not certify available funds for any disbursements in fiscal year 2015.

**Note 4 – Budgetary Activity**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$136,677	\$92,436	(\$44,241)
Special Revenue	310,835	107,991	(202,844)
Total	<u>\$447,512</u>	<u>\$200,427</u>	<u>(\$247,085)</u>

Fund Type	Authority	Expenditures	Variance
General	\$136,677	\$81,360	\$55,317
Special Revenue	310,835	180,712	130,123
Total	<u>\$447,512</u>	<u>\$262,072</u>	<u>\$185,440</u>

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 5 – Deposits**

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 was as follows:

	<u>2015</u>
Demand deposits	<u>\$197,781</u>
Total deposits	<u>\$197,781</u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 6 – Property Taxes**

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

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

**Note 7 - Risk Management**

***Risk Pool Membership***

***Ohio Township Association Risk Management Authority (OTARMA)***

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.

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 7 - Risk Management (Continued)**

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2015 Contributions to OTARMA</u>
\$2,750

**Union Township**  
*Madison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 7 - Risk Management (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 - Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

Four 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 includes postretirement healthcare and survivor and disability benefits.

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

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$31,750	4%
Total	\$31,750	

The Township issued building construction bonds during 2010 in the amount of \$250,000 with an interest rate of 4.4%

***Amortization***

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

	General Obligation Bonds
Year ending December 31:	
2016	\$31,750
Total	\$31,750



# Dave Yost • Auditor of State

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

Union Township  
Madison County  
2250 St Rt 56  
London, Ohio 43140

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, Madison 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 August 8, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-002 and 2016-003 to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***Township's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 8, 2017



**UNION TOWNSHIP  
MADISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Proper Encumbering of Funds - Noncompliance**

Per **Ohio Rev. Code §5705.41(D)(1)**, no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Township established a budget for the years ended December 31, 2016 and 2015; however, the Township did not implement a system to create purchase orders. Since no form of purchase order was utilized by the Township, effectively the Township did not encumber 100% of transactions for 2015 or 2016.

Failure to properly encumber and monitor expenditures is a violation of Ohio revised code and can lead to deficit spending and could increase the risk of an illegal expenditure occurring. By creating and using encumbrances, the District can better monitor its budget and make adjustments as needed.

We recommend for the Township to properly encumber funds by updating the purchase order process to ensure that expenditures are approved prior to the actual disbursement for goods or services.

**Officials' Response:** During 2017, I began to implement the use of purchase orders, as I was made aware of the requirements during the audit process.

**FINDING NUMBER 2016-002**

**Rental Receipts- Noncompliance and Material Weakness**

The Township Hall is utilized by employees, residents and those outside of the Township. The Township utilizes the facilities to hold official township business, as well as a source of income; as the Township Hall is commonly rented out for banquets and social gatherings. Cash collection receipt cycles pose an inherent risk for the Township and it is important that proper policies and procedures be in place to ensure accountability of these cash collections. **Ohio Admin. Code §117-2-01(D)(4)** states, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

Further, cash collection processes should also be designed to be in compliance with **Ohio Rev. Code § 9.38**. **Ohio Rev. Code § 9.38** states, a person who is a public official shall deposit all public moneys received by that person with the Township Fiscal Officer or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

**UNION TOWNSHIP  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-002 (Continued)**

**Rental Receipts- Noncompliance and Material Weakness**

Our audit procedures identified the following internal control and compliance issues related to rental receipts:

- There is no official fee schedule associated with the rental of the Township Hall. During the audit period, rental rates ranged from \$50 to \$550.
- No duplicate receipts are offered to renters.
- Cash and checks received as payment for Township Hall rental were held at the Fiscal Officer's home for significant periods of time.
- 100% of monies collected for rental of the Township Hall were not deposited timely in accordance with § 9.38, sometimes being held for several months before deposit and the Township doesn't have the 3-day policy allowed by the Ohio Rev. Code.
- There is no segregation of duties between the collection, posting, and depositing of receipts. Further, the Township Trustees do not monitor this process.

By not establishing a fee schedule, the Township could be losing out on potential income derived by renting out their facilities. Further, not providing duplicate receipts and keeping monies at the Fiscal Officer's home for extended periods of time could result in monies being lost, misappropriated, and/or improperly posted. Finally, a lack of segregation of duties within the Township's rental operation could result in further errors, irregularities, and/or theft occurring and remaining undetected for an extended period of time.

We recommend the Township draft an official fee schedule, as well as an agreement that includes terms such as cost to rent, rental dates, and responsibilities of parties renting the facilities. Once the fee schedule is adopted and approved by the Trustees, the board minutes should reflect the Trustee's acceptance of the schedule. A copy of the approved schedule should be maintained at the township office, whereby potential renters of the hall can view. In addition to the fee schedule, policies and/or procedures should be developed by the Township for the rental receipt process, outlining the minimum requirements, such as issuing duplicate receipts, signing a rental agreement, etc., and responsibilities of both the Fiscal Officer and Trustees throughout the receipt collection process, which will also help the Township incorporate proper segregation of duties.

Further, these policies and procedures should incorporate how the Township will deposit monies in compliance with Ohio Rev. Code § 9.38.

**Officials' Response:** As it was made aware to me during the audit process, I have implemented the following changes:

- A fee schedule of \$75 resident and \$150 non resident fee for hall rentals is now in place,
- The fiscal Officer will deposit all monies and a Trustee will sign the duplicate receipts,
- All deposits will be approved at each meeting,
- Money and all records will be kept at the township hall and not at the fiscal officer's house.

**UNION TOWNSHIP  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-003**

**Financial Statement Presentation - Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the Trustees and is an essential control to help ensure the information provided to the readers of the financial statements is complete and accurate. Additionally, the Fiscal Officer and Trustees should be aware of new accounting standards and ensure they are implemented timely and accurately. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The below adjustments were material to the financial statements and were posted to the financial statements and accounting records, where applicable:

- The Township did not implement GASB 54. In 2016, an Assigned Fund Balance of \$61,495 in the General Fund and a Restricted Fund Balance of \$120,087 in the Special Revenue Funds were not reflected. In 2015, an Assigned Fund Balance of \$5,748 and a Committed Fund Balance of \$34,544 in the General Fund and a Restricted Fund Balance of \$157,489 in the Special Revenue Funds were not reflected in the financial statements.
- For 2016, \$12,655 of Property Tax Revenue was reclassified as Intergovernmental Revenue and for, 2015; \$107,619 of Property Tax Revenue was reclassified as Intergovernmental Revenue and Charges for Service in the Special Revenue Funds.
- Reclassifications of Principal and Interest Payments of \$31,750 in 2016 and \$34,544 in 2015.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$115 to \$7,038 that we have brought to the Township's attention.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit adjustments and reclassifications, including the additional time and effort to identify the variance and discrepancy.

The Township's Fiscal Officer should take steps to help ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in Ohio Township Handbook and Auditor of State Bulletin 2011-004. By exercising accuracy in recording financial activity, the Township can help reduce posting errors and increase the reliability of the financial data throughout the year.

Also, the Township should implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

UNION TOWNSHIP  
MADISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)

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

FINDING NUMBER 2016-003 (Continued)

**Officials' Response:** During 2017 the Township has gone away from utilizing manual ledgers and now will be on UAN. For classifications of revenues and expenditures, we will begin to utilize the UAN manual, and for classifications of fund balances we will refer to Governmental Accounting Standards Board Statement No. 54.

**UNION TOWNSHIP  
MADISON COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001 2012-001	<b>Posting Receipts and Disbursements and Fund Balances</b>	Not corrected	Finding repeated as 2016-003. Township had material misstatements to their fiscal year ending December 31, 2016 and 2015 financial statements. A corrective action plan has been established to help ensure the finding will be corrected fully.

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# Dave Yost • Auditor of State

UNION TOWNSHIP

MADISON 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  
OCTOBER 3, 2017