



Dave Yost • Auditor of State

RARDEN TOWNSHIP
SCIOTO COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Rarden Township
Scioto County
822 Dry Fork Road
P.O. Box 167
Rarden, Ohio 45671

To the Board of Township 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 the Rarden Township, Scioto County, Ohio (the Township) as of and for the years ended December 31, 2017 and 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Rarden Township, Scioto County as of December 31, 2017 and 2016, 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 July 10, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.

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

July 10, 2018

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Rarden Township*Scioto 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, 2017*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$21,410	\$157,877	\$0	\$179,287
Charges for Services	1,410	0	0	1,410
Intergovernmental	11,517	90,954	45,035	147,506
Earnings on Investments	1,487	0	0	1,487
Miscellaneous	1,883	2,883	0	4,766
<i>Total Cash Receipts</i>	<u>37,707</u>	<u>251,714</u>	<u>45,035</u>	<u>334,456</u>
Cash Disbursements				
Current:				
General Government	37,386	34,477	0	71,863
Public Safety	0	78,495	0	78,495
Public Works	3,623	61,252	0	64,875
Health	7,656	22,626	0	30,282
Capital Outlay	3,500	34,506	45,035	83,041
Debt Service:				
Principal Retirement	0	11,695	0	11,695
Interest and Fiscal Charges	0	39	0	39
<i>Total Cash Disbursements</i>	<u>52,165</u>	<u>243,090</u>	<u>45,035</u>	<u>340,290</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,458)</u>	<u>8,624</u>	<u>0</u>	<u>(5,834)</u>
<i>Net Change in Fund Cash Balances</i>	(14,458)	8,624	0	(5,834)
<i>Fund Cash Balances, January 1</i>	<u>33,973</u>	<u>224,139</u>	<u>0</u>	<u>258,112</u>
Fund Cash Balances, December 31				
Restricted	0	232,763	0	232,763
Assigned	19,515	0	0	19,515
<i>Fund Cash Balances, December 31</i>	<u>\$19,515</u>	<u>\$232,763</u>	<u>\$0</u>	<u>\$252,278</u>

See accompanying notes to the basic financial statements

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Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Rarden Township, Scioto 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. The Township contracts with the Village of Rarden to provide fire services and ambulance services.

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.

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.

Fund Accounting

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

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

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

Road and Bridge Fund This fund receives property tax monies and homestead and rollback monies for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund This fund receives gasoline tax monies for constructing, maintaining, and repairing roads.

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Ohio Public Works Fund – The township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

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. 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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits

The Township maintains its deposits in an interest-bearing checking account with a local commercial bank.

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.

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

Note 3 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand deposits	\$252,278
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Deposits - Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,271	\$37,707	(\$27,564)
Special Revenue	258,400	251,714	(6,686)
Capital Projects	45,035	45,035	0
Total	\$368,706	\$334,456	(\$34,250)

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,663	\$52,165	\$92,498
Special Revenue	428,260	243,090	185,170
Capital Projects	45,035	45,035	0
Total	\$617,958	\$340,290	\$277,668

Note 5 – Property Taxes

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

Public utilities are also taxed on personal and real property located within the Township.

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

Note 6 – Debt Obligations

In 2012, the Township issued notes to finance the purchase of a grader for Township road maintenance. The Township's taxing authority collateralized the notes. The Township repaid this note in full in 2017.

In 2014, the Township obtained a loan from the Ohio Department of Natural Resources to purchase the Ranger Station. The Township repaid this loan in full in 2017.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township employees and officials 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. For 2017, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS contributes 1.0

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

percent of the employer contribution to fund these benefits for calendar year 2017.

Note 9 – 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, 2017, 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.

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>2017</u> <u>Contributions</u> <u>to</u> <u>OTARMA</u>

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 10 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.

Rarden Township*Scioto 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)
Cash Receipts			
Property and Other Local Taxes	\$22,858	\$162,316	\$185,174
Charges for Services	110	0	110
Licenses, Permits and Fees	150	0	150
Intergovernmental	8,130	87,331	95,461
Earnings on Investments	1,879	90	1,969
Miscellaneous	2,945	7,339	10,284
<i>Total Cash Receipts</i>	<u>36,072</u>	<u>257,076</u>	<u>293,148</u>
Cash Disbursements			
Current:			
General Government	56,802	22,999	79,801
Public Safety	0	78,042	78,042
Public Works	10,163	50,310	60,473
Health	4,055	29,859	33,914
Human Services	0	464	464
Conservation-Recreation	0	100	100
Capital Outlay	3,391	48,868	52,259
Debt Service:			
Principal Retirement	0	16,979	16,979
Interest and Fiscal Charges	0	143	143
<i>Total Cash Disbursements</i>	<u>74,411</u>	<u>247,764</u>	<u>322,175</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,339)</u>	<u>9,312</u>	<u>(29,027)</u>
<i>Fund Cash Balances, January 1</i>	<u>72,312</u>	<u>214,827</u>	<u>287,139</u>
Fund Cash Balances, December 31			
Restricted	0	224,139	224,139
Assigned	33,973	0	33,973
<i>Fund Cash Balances, December 31</i>	<u>\$33,973</u>	<u>\$224,139</u>	<u>\$258,112</u>

See accompanying notes to the basic financial statements

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Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Rarden Township, Scioto 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. The Township contracts with the Village of Rarden to provide fire services and ambulance services.

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.

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.

Fund Accounting

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

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

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

Road and Bridge Fund This fund receives property tax monies and homestead and rollback monies for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund This fund receives gasoline tax monies for constructing, maintaining, and repairing Township roads.

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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. 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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits

The Township maintains its deposits in an interest-bearing checking account with a local commercial bank.

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.

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*

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand deposits	\$258,112
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Deposits - Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the financial institution's public entity deposit pool.

Note 4 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,034	\$36,072	(\$27,962)
Special Revenue	255,350	257,076	1,726
Total	\$319,384	\$293,148	(\$26,236)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,033	\$74,411	\$28,622
Special Revenue	386,100	247,762	138,338
Total	\$489,133	\$322,173	\$166,960

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Property Taxes

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

Public utilities are also taxed on personal and real property located within the Township.

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

Note 6 – Debt Obligations

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

	Principal	Interest Rate
Grader Note	\$2,225	5.8%
Ranger Station Note	10,000	0%
Total	\$12,225	

In 2012, the Township issued notes to finance the purchase of a grader for Township road maintenance. The Township's taxing authority collateralized the notes.

In 2014, the Township obtained a loan from the Ohio Department of Natural Resources to purchase the Ranger Station.

In 2014, the Township also obtained a loan from the Ohio Public Works Commission for a road sealing project. The final payment on this loan was made in 2016.

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

Year Ending December 31:	Grader Note	Ranger Station Note
2017	\$2,225	\$5,000
2018		5,000
Total	\$2,225	\$10,000

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township employees and officials 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.

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, 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 contributions to fund these benefits.

Note 9 – 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.

Rarden Township
Scioto County
Notes to the Financial Statements
For the Year Ended 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 \$2,000.

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>	
\$	4,171

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 10 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.



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

Rarden Township
Scioto County
822 Dry Fork Road
P.O. Box 167
Rarden, Ohio 45671

To the Board of Township Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Rarden Township, Scioto County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 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*.

Township's Response 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 10, 2018

RARDEN TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following misstatements in the Township's financial statements for the years ended December 31, 2017 and 2016:

December 31, 2017 financial statements:

- \$3,500 in General Fund Capital Outlay disbursements were misclassified as Health disbursements.
- \$3,695 in General Fund Intergovernmental receipts were classified as Tax receipts.
- General Fund Tax receipts and General Government disbursements were both understated by \$6,782 because the tax settlements were posted at net instead of gross amounts.
- \$24,280 in the General Fund Assigned Fund Balance was misclassified as Unassigned Fund Balance.
- \$569 in Principal disbursements and \$9 in Interest disbursements were misclassified in the Motor Vehicle License Fund as Public Works disbursements.
- \$1,126 in Principal disbursements and \$30 in Interest disbursements were misclassified in the Gasoline Tax Fund as Health disbursements.
- \$10,000 in Gasoline Tax Fund Principal disbursements were misclassified as Public Safety disbursements.
- \$12,400 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as General Governmental disbursements.
- \$11,700 in Road and Bridge Maintenance Fund Capital Outlay disbursements were misclassified as Public Works disbursements.
- \$6,840 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as Public Works disbursements instead of Capital Outlay Disbursements.
- \$3,566 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as Health disbursements.

**FINDING NUMBER 2017-001
(Continued)**

- \$45,035 of Intergovernmental receipts and Capital Outlay disbursements were omitted from the Ohio Public Works Fund. These were monies that were paid directly by the Ohio Public Works Commission on behalf of the Township and are required to be reported on the Township's financial statements.

On the December 31, 2016 financial statements:

- \$3,391 in General Fund Capital Outlay disbursements were misclassified as General Government disbursements.
- General Fund Tax receipts and General Government disbursements were understated by \$7,612 because taxes were posted at net instead of gross amounts.
- \$3,476 in General Fund Tax receipts were classified as Intergovernmental Receipts.
- \$33,691 in the General Fund Assigned Balance was misclassified as Restricted Fund Balance.
- \$821 in Principal disbursements and \$47 in Interest disbursements were misclassified in the Motor Vehicle License Fund as Public Works disbursements.
- \$2,861 in Principal disbursements and \$26 in Interest disbursements were misclassified in the Gasoline Tax Fund as Health disbursements.
- \$529 in Principal disbursements and \$49 in Interest disbursements were misclassified in the Gasoline Tax Fund as General Governmental disbursements.
- \$268 in Principal disbursements and \$21 in Interest disbursements were misclassified in the Gasoline Tax Fund as Human Services disbursements.
- \$10,000 in Gasoline Tax Fund Principal disbursements were was misclassified as Public Safety disbursements.
- \$2,500 in Road and Bridge Maintenance Fund Principal disbursements were misclassified as Public Works disbursements.
- \$8,391 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as Public Works Disbursements.
- \$5,000 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as Human Services disbursements.
- \$10,000 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as Health disbursements.
- \$2,344 in Gasoline Tax Fund Capital Outlay disbursements were misclassified as General Governmental disbursements.
- \$16,646 in Road and Bridge Maintenance Fund Capital Outlay disbursements were misclassified as Public Works disbursements.
- \$6,487 in Cemetery Fund Capital Outlay disbursements were misclassified as Health disbursements.

**FINDING NUMBER 2017-001
(Continued)**

The Township corrected the financial statements and the accounting system where appropriate.

To ensure the Township's financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements by the Township Fiscal Officer and Board of Trustees, to identify and correct errors and omissions.

We also recommend the Township Fiscal Officer exercise due care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

Officials' Response:

Township Fiscal Officer will attempt to correct these issues in the future.

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Rarden Township

Scioto County

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness for Inaccurate Accounting Records and Financial Statements	Not Corrected	Fiscal Officer is attempting to correct these posting errors.

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Dave Yost • Auditor of State

RARDEN TOWNSHIP

SCIOTO 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
JULY 24, 2018**