

UNION TOWNSHIP
CLERMONT COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Union Township
4350 Aicholtz Road
Cincinnati, Ohio 45245

We have reviewed the *Independent Auditor's Report* of Union Township, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 11, 2020

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UNION TOWNSHIP
CLERMONT COUNTY

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Bastin & Company, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Union Township, Clermont County, (the Township) as of and for the year ended December 31, 2019.

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, 2019, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances, receipts and disbursements by fund type, and related notes of Union Township, Clermont County as of December 31, 2019, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matters

As discussed in Note 14 to the financial statements, the Township reclassified the reporting of account balances and activities of special improvement district funds. In addition, as discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 21, 2020

Union Township
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 1,303,440	\$ 15,062,170	\$ -	\$ -	\$ 16,365,610
Charges for Services	-	330,600	-	-	330,600
Licenses, Permits and Fees	603,011	599,424	-	-	1,202,435
Fines and Forfeitures	85,930	-	-	-	85,930
Intergovernmental	541,738	2,740,910	-	-	3,282,648
Special Assessments	-	64,704	-	-	64,704
Payments in Lieu of Taxes	-	7,942,434	-	-	7,942,434
Earnings on Investments	394,351	20,725	-	-	415,076
Miscellaneous	493,071	2,307,058	-	-	2,800,129
<i>Total Cash Receipts</i>	<u>3,421,541</u>	<u>29,068,025</u>	<u>-</u>	<u>-</u>	<u>32,489,566</u>
Cash Disbursements					
Current:					
General Government	3,396,808	3,416,218	-	-	6,813,026
Public Safety	-	17,917,103	-	-	17,917,103
Public Works	-	2,469,333	-	-	2,469,333
Health	506,570	305,565	-	-	812,135
Conservation/Recreation	585,837	-	-	-	585,837
Capital Outlay	2,275,343	1,816,986	-	132,637	4,224,966
Debt Service:					
Principal Retirement	-	2,415,133	25,275,000	-	27,690,133
Interest and Fiscal Charges	-	1,712,808	173,146	-	1,885,954
<i>Total Cash Disbursements</i>	<u>6,764,558</u>	<u>30,053,146</u>	<u>25,448,146</u>	<u>132,637</u>	<u>62,398,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,343,017)</u>	<u>(985,121)</u>	<u>(25,448,146)</u>	<u>(132,637)</u>	<u>(29,908,921)</u>
Other Financing Receipts (Disbursements)					
Proceeds from Notes	-	-	25,275,000	-	25,275,000
Premium on Debt	-	-	247,442	-	247,442
Note Issuance Costs	-	-	(74,296)	-	(74,296)
Proceeds from Sale of Capital Assets	-	3,291,813	-	-	3,291,813
Transfers-In	4,058,516	2,985,673	-	-	7,044,189
Transfers-Out	(1,820,898)	(4,934,258)	-	(289,033)	(7,044,189)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,237,618</u>	<u>1,343,228</u>	<u>25,448,146</u>	<u>(289,033)</u>	<u>28,739,959</u>
<i>Net Change in Fund Cash Balances</i>	(1,105,399)	358,107	-	(421,670)	(1,168,962)
<i>Fund Cash Balances, January 1 - restated</i>	<u>17,144,038</u>	<u>8,292,834</u>	<u>36,473</u>	<u>454,412</u>	<u>25,927,757</u>
Fund Cash Balances, December 31					
Restricted	-	7,481,630	36,473	32,742	7,550,845
Committed	-	1,169,311	-	-	1,169,311
Assigned	1,130,500	-	-	-	1,130,500
Unassigned	14,908,139	-	-	-	14,908,139
<i>Fund Cash Balances, December 31</i>	<u>\$ 16,038,639</u>	<u>\$ 8,650,941</u>	<u>\$ 36,473</u>	<u>\$ 32,742</u>	<u>\$ 24,758,795</u>

See accompanying notes to the basic financial statements

Union Township
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2019

	Fiduciary Fund Types
	Agency
<i>Non-Operating Cash Receipts:</i>	
Other Financing Sources	\$ 2,002,408
Total Non-Operating Cash Receipts	2,002,408
<i>Non-Operating Cash Disbursements:</i>	
Other Financing Uses	1,972,276
Total Non-Operating Cash Disbursements	1,972,276
Net Change in Fund Cash Balances	30,132
Fund Cash Balance, January 1 - restated	268,566
Fund Cash Balance, December 31	\$ 298,698

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

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Clermont County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services and police protection.

Blended Component Unit

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

Jointly Governed Organizations

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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:

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

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

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

Debt Service Funds These funds accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

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

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 funds:

Fire 49 Expansion Fund - The Fire 49 Fund received proceeds from the issuance of bonds which were used for constructing improvements to a Township fire station.

McMann Road Project Fund - The McMann Road Project Fund received proceeds from the issuance of bonds which were used to purchase 16 acres for economic development and construction of a Township Service Garage and a West Clermont Local School District maintenance and service facility in accordance with an intergovernmental agreement.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for employee deductions held to pay claims (Employee FSA accounts) and the custodial activities of the special improvement districts and the energy special improvement district.

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources. Advances in are not required to be budgeted.

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

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

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

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

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

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,100,000	\$ 7,480,057	\$ 2,380,057
Special Revenue	27,538,000	30,082,144	2,544,144
Debt Service	26,719,441	25,522,442	(1,196,999)
Capital Projects	-	-	-
Total	\$ 59,357,441	\$ 63,084,643	\$ 3,727,202

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 10,996,546	\$ 8,585,456	\$ 2,411,090
Special Revenue	33,395,309	29,552,333	3,842,976
Debt Service	25,522,442	25,522,442	-
Capital Projects	453,946	421,670	32,276
Total	\$ 70,368,243	\$ 64,081,901	\$ 6,286,342

Activity of the CIC, a blended component unit of the Township, is not presented in the tables above. The CIC had total receipts of \$5,263,367 and total expenditures of \$5,435,071 during the year.

Note 4 - Deposits and Investments

The Township maintains a deposit and investments pool all funds use except those accounts applicable to the CIC and Energy Special Improvement District (ESID). The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2019 was as follows:

Demand deposits	\$ 14,740,591
Other time deposits (savings and ICS accounts)	10,235,682
Demand deposits - CIC	80,791
Demand deposits - ESID	429
Total deposits	\$25,057,493

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS local members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. OPERS law enforcement members contribute 13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 - Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2016 Park National Bank Loan	\$ 217,845	3.01%
2017 Park National Bank Loan	1,987,459	4.16%
2018 Fire Station Improvement General Obligation Bonds	1,080,000	3.16%
2018 Taxable Special Obligation Revenue Bonds	3,125,000	4.36%
2018 Tax Exempt General Obligation Bonds	3,115,000	3.45%
2018 Taxable Special Obligation Revenue Bonds	2,975,000	4.18-4.90%
2018 Various Purpose General Obligation Bond Anticipation Notes	25,275,000	2.25%
	<u>\$ 37,775,304</u>	

The 2016 Park National Bank Loan was issued by the CIC in conjunction with a cooperative agreement with Union Township, Eastgate Brew and View, LLC and Park National Bank to provide additional funding to the developer for renovations and fixtures for the Eastgate Brew and View movie theater located within the Jungle Jim's International Marketplace and to retire the remaining balance outstanding for the 2015 promissory note. The note was issued on June 17, 2016 in the amount of \$2,600,000 and carries an interest rate of 3.01%. Additional payments in excess of the amounts required by the terms of the loan have been made to provide for early retirement. Repayment of the note is secured by a special revenue pledge of the Corporation.

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The 2017 Park National Bank Loan was issued by the CIC to finance improvements made under a mortgage agreement entered into with the Mt. Carmel Brewery Company, LLC. The 2017 loan was issued on February 28, 2017 in the amount of \$2,500,000 and carries an interest rate of 4.16%. The terms of the loan require equal semi-annual payments of \$156,624 beginning December 1, 2017 through December 1, 2026 with a final payment due of \$143,499 on February 28, 2027. Repayment of the loan is secured by a leasehold mortgage from the Mt. Carmel Brewery Company, LLC, due to the Corporation.

The 2018 Fire Station Improvement General Obligation Bonds were issued by the Township to finance fire station improvements. The 2018 bonds were issued on January 12, 2018 in the amount of \$1,350,000 and carry an interest rate of 3.16%. The terms of the bonds require semi-annual interest and principal beginning June 1, 2018 through December 1, 2027 with a final payment due of \$68,569 on December 1, 2027.

The 2018 Taxable Special Revenue Obligation Bonds were issued by the Township to purchase 16 acres on McMann Road for economic development and construction of Township Service Garage and West Clermont Local School District Maintenance and Service Facility. The 2018 bonds were issued on March 29, 2018 in the amount of \$3,285,000 and carry an interest rate of 4.36%. The terms of the bonds require semi-annual payments of interest due on June 1 and December 1 commencing on June 1, 2018 and annual principal payments commencing on December 1, 2019, with a final payment of principal on December 1, 2033.

The 2018 Tax Exempt General Obligation Bonds were issued by the Township to purchase 16 acres on McMann Road for economic development and construction of Township Service Garage and West Clermont Local School District Maintenance and Service Facility. The 2018 bonds were issued on March 29, 2018 in the amount of \$3,285,000 and carry an interest rate of 3.45%. The terms of the bonds require semi-annual payments of interest due on June 1 and December 1 commencing on June 1, 2018 and annual principal payments commencing on December 1, 2019, with a final payment of principal on December 1, 2033.

The 2018 Taxable Special Obligation Revenue Acquisition and Improvement Bonds were issued by the Township for the purpose of purchasing property at 4357 Ferguson Road. The 2018 bonds were issued on September 12, 2018 in the amount of \$3,000,000 and carry an interest rate range of 4.18 - 4.90%. The terms of the bonds require semi-annual payments of interest due on June 1 and December 1 commencing on June 1, 2019 and annual principal payments commencing on December 1, 2019 with a final payment of principal on December 1, 2048.

The 2019 Various Purpose General Obligation Bond Anticipation Notes relate to the Township's capital improvements to its infrastructure, including Township park improvements, fire station improvements and road improvements. The notes were issued on September 5, 2019 in the amount of \$25,275,000 and are due, with interest, on September 2, 2020. Proceeds from the notes and other funds of the Township were used to retire \$26,435,000 Various Purpose General Obligation Bond Anticipation Notes issued in September 2018.

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The future principal and interest requirements scheduled to retire the remaining long-term debt balances (excluding the 2019 Bond anticipation notes which are due on September 2, 2020) of the Township are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 979,459	\$499,844	\$ 1,479,303
2021	791,721	466,570	1,258,291
2022	812,024	435,691	1,247,715
2023	842,765	403,982	1,246,747
2024	873,847	371,163	1,245,010
2025-2029	3,725,488	1,357,571	5,083,059
2030-2034	2,570,000	735,760	3,305,760
2035-2039	540,000	416,500	956,500
2040-2044	685,000	270,480	955,480
2045-2048	680,000	85,016	765,016
Total	<u>\$12,500,304</u>	<u>\$5,042,577</u>	<u>\$17,542,881</u>

Note 10 - Transfers

During 2019, the Township transferred the following amounts between funds:

<u>Transfer-Out Fund</u>	<u>Transfer-In Fund</u>	<u>Amount</u>
General	CIC	\$ 320,898
General	Fire	600,000
General	Police	900,000
TIF	CIC	875,742
CIC	General	4,058,516
Fire 49 Expansion	TIF	286,826
4357 Ferguson	TIF	2,207
Total Transfers		<u>\$7,044,189</u>

Transfers from the General Fund to the CIC, Fire and Police funds were to provide funding for operations. Transfers from the TIF Fund to the CIC provided funding for debt service payments on TIF related debt issued and paid by the CIC. Transfers from the CIC to the General Fund were to refund proceeds arising from the sale, lease, or other contractual activity of the CIC in accordance with Resolution 2012-02. Transfers from the Fire 49 Expansion Fund and 4357 Ferguson Fund to the TIF Fund were to close these funds and return unused debt proceeds to the TIF Fund that pays debt service related to those projects.

Note 11 - Intergovernmental Agreement

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

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 - Contract Postal Unit

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

Note 13 - Jointly Governed Organizations

Joint Economic Development Districts

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

- Ivy Pointe Joint Economic Development District – Created March 2007
- Jungle Jim’s Eastgate and Carepointe Clermont Joint Economic Development District – Created February 2012
- The Boys and Girls Club of Clermont County Joint Economic Development District – Created March 2013
- Mt. Carmel Brewing Company Joint Economic Development District – Created June 2013
- West Clermont High School Joint Economic Development District – Created February 2018

Each JEDD was created to promote economic development activities in certain geographic areas located in Union Township. Each JEDD consist of 5 board members, one member representing the City of Milford, one member representing the Township, one member representing the business owners located in the District, one member representing the persons working in the District and one member selected by the other members to serve as chairperson of the District Board. Each JEDD, pursuant to Revised Code 715.74, has implemented a 1.0% income tax. Net tax revenues of each JEDD are allocated 15% to the City and 85% to the Township. The City serves as fiscal agent for the JEDD. The contracts for creating each JEDD can be terminated at any time by mutual consent of the contracting parties.

Special Improvement Districts

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

The Port issued \$22,705,000 of Economic Development Special Obligation Bonds and purchased the property from Jungle Jim’s. The Bonds are secured by a pledge of the Township of the assessment proceeds of the SID. Assessments of the SID are structured and levied in order for the Township to collect and remit to the Port

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

amounts equal to the annual debt service charges on the bonds, plus an amount not to exceed \$25,000 for annual administrative expenses of the SID over a period of 20 years. The Port, as collateral to the Township, transferred title of the property to the Union Township CIC.

In October 2014 the Township created a Special Improvement District (SID) for the purpose of applying a special assessment on properties within the district known as The Union Township, Clermont County, Ohio. The creation of the SID provided for assessing property owners within the District known as the Terrace Ridge Subdivision, in order to provide funding for infrastructure improvements.

The Township has created an agency fund for each SID to account for the receipt and distribution of assessments applied for each SID.

Energy Special Improvement District

During 2019, the Township created the Union Township, Ohio Energy Special Improvement District (ESID). The ESID is a nonprofit corporation established pursuant to Ohio Revised Code (ORC) Chapters 1702 and 1710. The ESID was created by legislative action taken by Union Township and is governed by the ESID's board of trustees. Members of the District include the owners of parcels of property located within the ESID. The ESID was established to develop and implement special energy improvement projects as defined by ORC Chapter 1710, including energy efficiency and clean and renewable energy projects at locations within the ESID.

The Township has created an agency fund to account for the receipt and distribution of assessments applied for the ESID.

Note 14 – Reclassification of Funds

In prior years, the Township reported the fund cash balances and related activities of the two Special Improvement Districts (SID's) within the Special Revenue Fund Type. Beginning in 2019, the balances and activities are reported within the Agency Fund Type. The Township collects and distributes property assessments for the benefit of other organizations. This change had the following effect on fund type cash balances as of January 1, 2019:

	Special Revenue <u>Fund Type</u>	Agency <u>Fund Type</u>
Fund cash balance at December 31, 2018, as previously reported	\$8,536,999	\$ 24,401
Adjustments:		
Fund cash balance reclassification	<u>(244,165)</u>	<u>244,165</u>
Fund cash balance at January 1, 2019, restated	<u>\$8,292,834</u>	<u>\$268,566</u>

UNION TOWNSHIP
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 15 - Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 16 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Bastin & Company, LLC

Certified Public Accountants

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

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Union Township, Clermont County, (the Township) as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated May 21, 2020 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. In addition, we noted that the Township reclassified the reporting of account balances and activities of special improvement district funds and the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Controls Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 2019-01 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 Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 21, 2020

Union Township
Clermont County
Schedule of Findings
December 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2019-01 – System Security Controls

Material Weakness - Electronic System Controls

During 2019, the Township's procedures required electronic backup of the accounting and other systems with a third-party vendor. Backup procedures took place three times per day. Access to the backup data required the login protocol applicable to the Township's active servers.

During February 2020, the Township experienced a ransomware attack. The attack was successful in accessing the Township's network servers and backup data. The attack encrypted the electronically stored backup and portions of the current data on the network servers before being detected and stopped. The Township did not agree to the demands of the attack and has been able to regain accounting system data beginning January 1, 2020 and to continue normal operations going forward.

For audit purposes, the Township was able to provide sufficient hard copy data to support 2019 transactions and balances. However, specific data such as electronically stored purchase orders customarily used to test various control and compliance procedures, remain encrypted and not available for audit.

As a result, the Township should adequately safeguard, evaluate, and implement backup procedures and controls over the electronic systems of the Township.

Township's Response

The Township utilized a vendor to back up the Township's network data. Appropriate personnel could access all information through the Township's servers with proper credentials within the network. The ransomware attack was successful in gaining entrance into the network servers containing stored back up data. The attack initially encrypted backup data and then proceeded to encode a portion of the servers before the attack was detected and stopped by the Township.

Subsequently, the Township revised the security process that allows access to servers and backup data. The Township added additional layers of backup security that include the implementation of cloud-based backup service and a monthly backup procedure completed and stored in an offsite vault.

A Cyber Security Firm now monitors the Township's networks continuously for any unusual activity that may be illegal or harmful. As a result, the Township believes that the steps recently incorporated adequately strengthened the internal and external controls relating to the networks and the underlying data.

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OHIO AUDITOR OF STATE KEITH FABER



UNION TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 23, 2020**