

SPRINGFIELD TOWNSHIP
CLARK COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**



Dave Yost • Auditor of State

Board of Trustees
Springfield Township
2777 Springfield Xenia Road
Springfield, Ohio 45506

We have reviewed the *Independent Auditor's Report* of Springfield Township, Clark County, prepared by Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2017. 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. Springfield Township is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

June 6, 2018

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SPRINGFIELD TOWNSHIP
CLARK COUNTY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Springfield Township
Clark County
2777 Springfield Xenia Road
Springfield, Ohio 45506

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 Springfield Township, Clark County (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 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 Principle

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Springfield Township, Clark County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 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 cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
April 20, 2018

Springfield Township
Clark County
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	\$ 59,278	\$ 1,319,355	\$ 281,854	\$ 1,660,487
Charges for Services	1	348,122	-	348,123
Licenses, Permits and Fees	96,538	33,534	-	130,072
Intergovernmental	320,227	346,183	313,707	980,117
Special Assessments	1,129	4,511	-	5,640
Earnings on Investments	11,570	28,169	-	39,739
Miscellaneous	13,461	16,469	-	29,930
<i>Total Cash Receipts</i>	<u>502,204</u>	<u>2,096,343</u>	<u>595,561</u>	<u>3,194,108</u>
Cash Disbursements				
Current:				
General Government	399,107	5,774	-	404,881
Public Safety	-	1,015,719	5,017	1,020,736
Public Works	-	783,217	3,688	786,905
Health	20,420	14,613	-	35,033
Capital Outlay	-	200,000	604,518	804,518
Debt Service:				
Principal Retirement	96,434	-	1,735,866	1,832,300
Interest and Fiscal Charges	4,431	-	77,745	82,176
<i>Total Cash Disbursements</i>	<u>520,392</u>	<u>2,019,323</u>	<u>2,426,834</u>	<u>4,966,549</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,188)	77,020	(1,831,273)	(1,772,441)
Other Financing Receipts (Disbursements)				
Sale of Notes	89,119	-	1,434,281	1,523,400
Proceeds from Capital Lease	-	-	190,880	190,880
Costs of Issuance	(2,000)	-	(32,186)	(34,186)
Sale of Capital Assets	-	75,649	-	75,649
<i>Total Other Financing Receipts (Disbursements)</i>	<u>87,119</u>	<u>75,649</u>	<u>1,592,975</u>	<u>1,755,743</u>
<i>Net Change in Fund Cash Balances</i>	68,931	152,669	(238,298)	(16,698)
<i>Fund Cash Balances, January 1</i>	<u>387,189</u>	<u>2,811,361</u>	<u>598,499</u>	<u>3,797,049</u>
Fund Cash Balances, December 31				
Restricted	-	2,964,030	360,201	3,324,231
Assigned	339,756	-	-	339,756
Unassigned	116,364	-	-	116,364
<i>Fund Cash Balances, December 31</i>	<u>\$ 456,120</u>	<u>\$ 2,964,030</u>	<u>\$ 360,201</u>	<u>\$ 3,780,351</u>

See accompanying notes to the basic financial statements

Springfield Township
Clark 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 Springfield Township, Clark 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

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Road District Outside Fund This fund receives property tax money for the maintenance of Township roads.

EMS Services Fund This fund receives property tax money to provide EMS services to township residents.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Projects 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 Fund This fund receives property tax money to purchase equipment for fire department operations.

Ambulance Fund This fund receives property tax money to purchase equipment for emergency medical services operations.

Basis of Accounting

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

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

Budgetary Process

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

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

A summary of 2017 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.

The Township values U.S. Treasury Notes and U.S. government agencies at cost. Money market mutual funds are recorded at share values the mutual funds report.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 591,452	\$ 591,323	\$ (129)
Special Revenue	2,120,388	2,171,992	51,604
Capital Projects	2,220,723	2,220,722	(1)
Total	\$ 4,932,563	\$ 4,984,037	\$ 51,474

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 894,899	\$ 522,392	\$ 372,507
Special Revenue	4,629,073	2,019,323	2,609,750
Capital Projects	2,518,027	2,459,020	59,007
Total	\$ 8,041,999	\$ 5,000,735	\$ 3,041,264

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$612,690
Certificates of deposit	300,000
Total deposits	912,690
U.S. Treasury Notes	194,938
Money Market	467,780
Federal Home Loan Bank	455,498
Federal Home Loan Mortgage Corporation	1,599,625
Federal National Mortgage Association	149,820
Total investments	2,867,661
Total deposits and investments	\$3,780,351

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Investments

A financial institution's trust department holds the Township's investments in book entry form in the Township's name. Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

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

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 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.

Springfield Township
Clark 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, 2016 (the latest information available):

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Assets	<u>\$30,229,143</u>

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 \$46,000.

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.

2017 Contributions to OTARMA
\$103,230

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 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township employees (other than fire department employees, who participate in social security) participate in 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% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Social Security

Township fire department employees participate in social security. This plan provides retirement benefits, including survivor and disability benefits, to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries.

The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers 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 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Refunding Notes, Series 2017	\$1,497,100	2.77%
Capital Lease, Fire Breathing Apparatuses	190,880	2.84%
Total	<u>\$1,687,980</u>	

The Township issued \$1,523,400 of Refunding Notes, Series 2017, dated October 31, 2017 to retire the Township Office/Fire Station General Obligation Bonds, Series 2005 and the Garden Acres Fire Station General Obligation Bonds, Series 2006. The Township Office/Fire Station Bonds financed the construction of a new firehouse and an administration office. The Garden Acres Fire Station Bonds financed the conversion of an E Check facility into the East Side Garden Acres fire station and the purchase of an Aerial Ladder fire apparatus and an EMS Medic Unit.

The interest rate on the Refunding Notes is 2.77%, with the final payment due in December 2026.

Lease

On February 1, 2017, the Township entered into a three-year capital lease for the purchase of forty (40) sets of self-contained breathing apparatuses for the Fire Division. The total cost of the purchase was \$240,880. The Township made a \$50,000 cash down payment and financed \$190,880 for three years with an interest rate of 2.84%.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year ending December 31	Capital Lease	Refunding Notes, Series 2017	Total Principal and Interest
2018	\$67,274	\$204,370	\$271,644
2019	67,274	204,457	271,731
2020	67,275	206,618	273,893
2021	-	205,789	205,789
2022	-	205,651	205,651
2023 – 2026	-	668,949	668,949
Total	\$201,823	\$1,695,834	\$1,897,657

Note 10 – Contingent Liabilities

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

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 50,524	\$ 1,253,964	\$ 277,172	\$ 1,581,660
Charges for Services	456	325,403	-	325,859
Licenses, Permits and Fees	99,913	31,605	-	131,518
Intergovernmental	339,732	347,713	38,949	726,394
Special Assessments	-	4,606	-	4,606
Earnings on Investments	8,270	30,538	-	38,808
Miscellaneous	8,672	13,596	-	22,268
<i>Total Cash Receipts</i>	<u>507,567</u>	<u>2,007,425</u>	<u>316,121</u>	<u>2,831,113</u>
Cash Disbursements				
Current:				
General Government	655,228	10,044	-	665,272
Public Safety	-	1,084,289	1,615	1,085,904
Public Works	-	772,348	3,782	776,130
Health	14,338	6,331	-	20,669
Capital Outlay	-	173	-	173
Debt Service:				
Principal Retirement	9,625	62,500	177,875	250,000
Interest and Fiscal Charges	4,881	13,455	72,440	90,776
<i>Total Cash Disbursements</i>	<u>684,072</u>	<u>1,949,140</u>	<u>255,712</u>	<u>2,888,924</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(176,505)	58,285	60,409	(57,811)
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	19,694	-	19,694
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>19,694</u>	<u>-</u>	<u>19,694</u>
<i>Net Change in Fund Cash Balances</i>	(176,505)	77,979	60,409	(38,117)
<i>Fund Cash Balances, January 1</i>	<u>563,694</u>	<u>2,733,382</u>	<u>538,090</u>	<u>3,835,166</u>
Fund Cash Balances, December 31				
Restricted	-	2,811,361	598,499	3,409,860
Assigned	326,361	-	-	326,361
Unassigned	60,828	-	-	60,828
<i>Fund Cash Balances, December 31</i>	<u>\$ 387,189</u>	<u>\$ 2,811,361</u>	<u>\$ 598,499</u>	<u>\$ 3,797,049</u>

See accompanying notes to the basic financial statements

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

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Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Projects 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:

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

Budgetary Process

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

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

A summary of 2016 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.

The Township values U.S. Treasury Notes and U.S. government agencies at cost. Money market mutual funds are recorded at share values the mutual funds report.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 505,692	\$ 507,567	\$ 1,875
Special Revenue	2,017,020	2,027,119	10,099
Capital Projects	316,119	316,121	2
Total	\$ 2,838,831	\$ 2,850,807	\$ 11,976

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 978,747	\$ 684,072	\$ 294,675
Special Revenue	4,845,655	1,949,140	2,896,515
Capital Projects	794,562	255,712	538,850
Total	\$ 6,618,964	\$ 2,888,924	\$ 3,730,040

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$477,411
Total deposits	477,411
U.S. Treasury Notes	552,828
Money Market	565,936
Federal Home Loan Bank	255,498
Federal Home Loan Mortgage Corporation	848,803
Federal National Mortgage Association	1,096,573
Total investments	3,319,638
Total deposits and investments	\$3,797,049

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Investments

A financial institution's trust department holds the Township's investments in book entry form in the Township's name. Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

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

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 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.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Assets	<u>\$30,229,143</u>

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 \$46,000.

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.

2016 Contributions to OTARMA
\$103,181

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 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township employees (other than fire department employees, who participate in social security) participate in 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 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Social Security

Township fire department employees participate in social security. This plan provides retirement benefits, including survivor and disability benefits, to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries.

The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers 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 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Township Office/Fire Station Bonds, Series 2005	\$1,377,000	3.00%
Garden Acres Fire Station Bonds, Series 2006	429,000	4.00 - 4.75%
Total	\$1,806,000	

During 2005, the Township issued \$2,538,000 of Township Office/Fire Station General Obligation Bonds, Series 2005, to finance the construction of a new firehouse and an administration office. The bonds will be repaid in varying annual installments, with interest at 3.00% through November 15, 2025. The Township allocates debt service payments to the General, EMS Services, Fire and Ambulance Funds based on uses of the bond proceeds.

During 2006, the Township issued \$1,483,000 of Garden Acres Fire Station General Obligation Bonds, Series 2006, to finance and convert an E Check facility into the East Side Garden Acres fire station, the purchase of an aerial ladder fire apparatus and the purchase of a new EMS medic unit. The bonds will be repaid in varying annual installments, with interest at rates ranging from 4.00% to 4.75% through November 15, 2026. The Township allocates debt service payments to the EMS Services, Fire and Ambulance Funds based on uses of the bond proceeds.

Springfield Township
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

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

Year ending December 31	Township Office/ Fire Station Bonds, Series 2005	Garden Acres Fire Station Bonds, 2006	Total Principal and Interest
2017	\$ 185,661	\$ 55,191	\$ 240,852
2018	185,501	54,573	240,074
2019	185,141	54,908	240,049
2020	187,581	55,150	242,731
2021	187,554	54,300	241,854
2022 – 2026	747,444	274,102	1,021,546
Total	<u>\$1,678,882</u>	<u>\$548,224</u>	<u>\$2,227,106</u>

Note 10 – Contingent Liabilities

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

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*

Springfield Township
Clark County
2777 Springfield Xenia Road
Springfield, Ohio 45506

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 Springfield Township, Clark County, (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 April 20, 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider a material weakness. We consider finding 2017-01 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*.

Entity'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 communication 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
April 20, 2018

Springfield Township
Clark County
Schedule of Findings
December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-01 – Audit Adjustments

Material Weakness - Financial Reporting

The following audit adjustments were required to be made to the financial statements that were not initially identified by the Township's internal control.

An adjustment was made that resulted in changes in fund cash balances of individual funds as follows:

- During 2017, the Township sold a Treasury note at \$250,000 par value with an initial recorded cost of \$259,709. Of the \$9,709 reduction in value, \$9,069 had not been recorded by the Township as an offset to earnings on investments and created a reconciling item on the Township's bank reconciliation. Following the method of allocating interest used by the Township, an adjustment resulted in reducing reported interest and fund cash balances by \$3,023 in each of the General Fund, the Motor Vehicle License Fund and the Gas Tax Fund.

Reclassifications made that resulted in changes to recorded receipt and disbursement classifications were as follows:

- During 2017 \$275,461 of OPWC grant receipts were posted to miscellaneous rather than to intergovernmental in the Public Works Capital Project Fund.
- During 2017 the Township entered into a capital lease. The Township did not record \$190,880 of proceeds or capital expenditures related to a lease in the Fire Capital Project Fund.
- During 2017 the Township issued \$1,523,400 of general obligation notes to retire previously issued debt issues and pay the cost of issuance. Proceeds from the debt issue and the retirement of prior issues and payment of the cost of issuance were not recorded.
- During 2016 \$85,001 of salt purchases were posted as health related expenditures rather than to public works related expenditures in the Permissive Motor Vehicle License Fund.
- For 2017 and 2016, a portion of the General Fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$339,756 and \$326,361, respectively. The reclassification was made to report the portion of year end fund cash balance that has been assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54. In addition, adjustments for 2017 and 2016 were required to properly classify \$110,295 and \$88,714, respectively, of fund balances in the special revenue funds as restricted that were originally recorded by the Township as committed or assigned.

The Township's financial statements and footnotes have been adjusted to reflect proper amounts.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Township implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Township's Response

The Township was aware of the unrecorded interest item but had not recorded a manual journal entry to correct the accounting system as of the end of the year. The capital lease and debt issues were activities that did not affect cash or flow through the Township's bank accounts and manual journal entries were not prepared to record these items. The two reclassification issues were a result of coding transactions to an incorrect accounts. The GASB 54 issue requires a manual entry to be made in the accounting system for the general fund and a change in the accounting system to designate how special revenue funds are to be classified. The Township will consider these items in the future and work to ensure they are properly presented in the accounting system and draft financial statements that are presented for audit.

Springfield Township
Clark County
Summary Schedule of Prior Audit Findings
December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-01	Audit Adjustments	Not corrected	Current year conditions included as finding number 2017-01

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Dave Yost • Auditor of State

SPRINGFIELD TOWNSHIP

CLARK 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 21, 2018**