

Union Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2017 and 2016



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# Dave Yost • Auditor of State

Board of Trustees  
Union Township  
7239 Big Spruce Little Bear Creek Road  
Otway, Ohio 45657

We have reviewed the *Independent Auditor's Report* of the Union Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., 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. The Union Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 22, 2018

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**Union Township**  
**Scioto County**  
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*For the Years Ended December 31, 2017 and 2016*

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**Independent Auditor's Report**

Board of Trustees  
Union Township  
Scioto County  
7239 Big Spruce Little Bear Creek Road  
Otway, Ohio 45657

***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, Scioto 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 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 cash balances, receipts and disbursements by fund type, and related notes of Union Township, Scioto County, as of December 31, 2017 and 2016 and 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The 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 the effectiveness of the Township's 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

June 6, 2018



**Union Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$59,210	\$176,002	\$235,212
Licenses, Permits, and Fees	0	8,477	8,477
Charges for Services	0	40,234	40,234
Intergovernmental	80,822	151,121	231,943
Earnings on Investments	2,145	161	2,306
Miscellaneous	5,448	4,200	9,648
<b>Total Cash Receipts</b>	<b>147,625</b>	<b>380,195</b>	<b>527,820</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	74,020	0	74,020
Public Safety	0	105,395	105,395
Public Works	1,345	89,029	90,374
Health	15,699	18,416	34,115
Capital Outlay	0	33,684	33,684
<b>Debt Service:</b>			
Redemption of Principal	6,588	51,394	57,982
Interest and Other Fiscal Charges	4,453	17,158	21,611
<b>Total Cash Disbursements</b>	<b>102,105</b>	<b>315,076</b>	<b>417,181</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>45,520</b>	<b>65,119</b>	<b>110,639</b>
<b>Fund Cash Balances, January 1</b>	<b>69,305</b>	<b>343,615</b>	<b>412,920</b>
<b>Fund Cash Balances, December 31:</b>			
<b>Restricted for:</b>			
Fire Operations	0	108,363	108,363
Road and Bridge Maintenance and Construction	0	69,151	69,151
Cemetery	0	21,267	21,267
Emergency Medical Services	0	195,018	195,018
<b>Committed to:</b>			
Road and Bridge Maintenance and Construction	0	14,935	14,935
Unassigned	103,325	0	103,325
Assigned	11,500	0	11,500
<b>Fund Cash Balances, December 31</b>	<b>\$114,825</b>	<b>\$408,734</b>	<b>\$523,559</b>

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

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

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**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

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

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

**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.

**Cash**

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

**Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

*General Fund*

The General Fund reports all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds*

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Fire Special Levy Fund* - This fund receives property tax money to provide fire protection for the residents of the Township.

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*EMS Special Levy Fund* - This fund receives property tax money to provide EMS services for the residents of the Township.

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

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

**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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

*Estimated Resources*

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

*Encumbrances*

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of the 2017 budgetary activity appears in Note 3.

**Fund Balances**

Fund balances are divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

**Capital Assets**

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

**Note 2 – Equity in Pooled Cash**

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

	<u>2017</u>
Demand Deposits	\$523,559

*Deposits:* Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The Township’s financial institution is in the process of joining the Ohio Pooled Collateral System; however as of December 31, 2017 the financial institution still maintained its own collateral pool.

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

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**Note 3 – Budgetary Activity**

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,257	\$147,625	\$74,368
Special Revenue	363,064	380,195	17,131
Total	<u>\$436,321</u>	<u>\$527,820</u>	<u>\$91,499</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,089	\$113,605	(\$84,516)
Special Revenue	111,314	337,288	(225,974)
Total	<u>\$140,403</u>	<u>\$450,893</u>	<u>(\$310,490)</u>

**Note 4 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 5 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ambulance Lease	\$11,069	3.75%
Blacktop Lease	82,876	3.44%
Fire Station Bonds	336,094	3.88%
Community Building Bonds	119,117	3.88%
2016 Ford Truck	31,569	4.07%
Jaws of Life Cutter	17,337	5.69%
Total	<u>\$598,062</u>	

In March 2011, the Township authorized the issuance of bonds for the purpose of constructing and equipping a new fire station in the amount of \$450,000. Semi-annual installments of \$16,277 are required to repay these bonds for a period of 20 years. These bonds are secured by the full faith and credit of the Township.

In October 2011, the Township authorized the issuance of bonds for the purpose of constructing a new community building in the amount of \$150,000. As of December 31, 2012, the Township had advanced the entire balance.

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

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**Note 5 – Debt (Continued)**

After the first 6 months of the term, semi-annual installments of \$5,355 are required to repay these bonds with a final payment due on April 30, 2032. For the first 6 months of the term, monthly amounts due represent only interest on the outstanding balance. These bonds are secured by the full faith and credit of the Township.

In November 2014, the Township entered into a lease purchase agreement for the purpose of purchasing an ambulance for the Township’s EMS in the amount of \$41,900. Semi-annual installments of \$5,693 are required to repay this lease for a period of 4 years, with the final payment due October 30, 2018. This lease is secured by the full faith and credit of the Township.

In September 2015, the Township entered into a lease purchase agreement to finance paving and repairs to Cooper Road, Henry Cooper Road, Pleasant Hill Road and Mershon Road in the amount of \$100,000. Semi-annual installments of \$5,998 are required to repay this lease for a period of 10 years. This lease is secured by the full faith and credit of the Township.

On February 19, 2016, the Township entered into a lease-purchase agreement with Wesbanco Bank, Inc. The purpose of this lease-purchase agreement is to purchase a 2016 Ford truck for Township use. The Township has total payments of \$10,132 due each year. The maturity date of the agreement is April 30, 2021.

On September 23, 2016, the Township entered into a contract with Republic First National Bank making payments to KS State Bank to purchase a Hurst Jaws of Life Cutter, Spreader, One Telescoping Ram, One AC Adapter and Batteries and Chargers for the Fire Department in the amount of \$21,113. The maturity date of the agreement is September 15, 2021.

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

Year Ending December 31:	Ambulance Lease	Blacktop Lease	Fire Station Bonds	Community Building Bonds	2016 Ford Truck	Jaws of Life
2018	\$11,386	\$11,996	\$32,555	\$10,906	\$10,132	\$4,968
2019	0	11,996	32,555	10,906	10,132	4,968
2020	0	11,996	32,555	10,906	10,132	4,968
2021	0	11,996	32,555	10,906	10,132	4,968
2022	0	11,996	32,555	10,906	5,066	0
2023-2027	0	35,988	162,775	54,528	0	0
2028-2032	0	0	116,647	49,065	0	0
<b>Total</b>	<b>\$11,386</b>	<b>\$95,968</b>	<b>\$442,197</b>	<b>\$158,123</b>	<b>\$45,594</b>	<b>\$19,872</b>

**Note 6 – Retirement System**

The Township’s employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which includes 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, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

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

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**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims (latest information available).

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

Financial Position

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

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Net Assets	<u>\$31,335,267</u>

At December 31, 2017, respectively, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$9,000.

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.

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

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

Contributions to OTARMA

2017

\$20,486

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

**Note 8 – Accountability and Compliance**

The Township did not timely pass appropriations in 2017 in accordance with Ohio Revised Code Section 5705.38.

The Township had expenditures in excess of appropriations during 2017 which is contrary to Ohio Revised Code Section 5705.41(B).

**Note 9 – Related Parties**

Township trustee Michael Mitchell is brothers with partial owner of Mitchell Brothers Retread. We noted disbursements to Mitchell Brothers Retread totaling \$479 in 2017 for tires and supplies.



**Union Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$56,582	\$173,426	\$230,008
Licenses, Permits, and Fees	0	11,101	11,101
Charges for Services	0	44,571	44,571
Intergovernmental	48,623	170,697	219,320
Earnings on Investments	2,211	120	2,331
Miscellaneous	4,082	11,914	15,996
<b>Total Cash Receipts</b>	<b>111,498</b>	<b>411,829</b>	<b>523,327</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	71,773	0	71,773
Public Safety	0	142,705	142,705
Public Works	552	135,768	136,320
Health	15,519	19,547	35,066
Capital Outlay	0	182,356	182,356
<b>Debt Service:</b>			
Redemption of Principal	5,787	41,100	46,887
Interest and Other Fiscal Charges	5,119	18,662	23,781
<b>Total Cash Disbursements</b>	<b>98,750</b>	<b>540,138</b>	<b>638,888</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>12,748</b>	<b>(128,309)</b>	<b>(115,561)</b>
<b>Other Financing Sources:</b>			
Other Debt Proceeds	0	65,348	65,348
Sale of Capital Asset	0	10,000	10,000
<b>Total Other Financing Sources</b>	<b>0</b>	<b>75,348</b>	<b>75,348</b>
<b>Excess of Cash Receipts and Other Financing Sources</b> <b>Over (Under) Cash Disbursements</b>	<b>12,748</b>	<b>(52,961)</b>	<b>(40,213)</b>
<b>Fund Cash Balances, January 1</b>	<b>56,557</b>	<b>396,576</b>	<b>453,133</b>
<b>Fund Cash Balances, December 31:</b>			
<b>Restricted for:</b>			
Fire Operations	0	88,171	88,171
Road and Bridge Maintenance and Construction	0	29,887	29,887
Cemetery	0	38,419	38,419
Emergency Medical Services	0	138,955	138,955
<b>Committed to:</b>			
Road and Bridge Maintenance and Construction	0	48,183	48,183
Unassigned	65,613	0	65,613
Assigned	3,692	0	3,692
<b>Fund Cash Balances, December 31</b>	<b>\$69,305</b>	<b>\$343,615</b>	<b>\$412,920</b>

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

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

---

**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

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

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

**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.

**Cash**

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**Fund Accounting**

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These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Fire Special Levy Fund* - This fund receives property tax money to provide fire protection for the residents of the Township.

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

EMS Special Levy Fund - This fund receives property tax money to provide ems services for the residents of the Township.

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

**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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

*Estimated Resources*

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

*Encumbrances*

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of the 2016 budgetary activity appears in Note 3.

**Fund Balances**

Fund balances are divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. 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.

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

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

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

**Capital Assets**

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

**Note 2 – Equity in Pooled Cash**

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

Demand Deposits	2017
	\$412,920

*Deposits:* Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

**Note 3 – Budgetary Activity**

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,753	\$111,498	40,745
Special Revenue	473,835	487,177	13,342
Total	\$544,588	\$598,675	54,087

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,694	\$102,442	\$29,252
Special Revenue	801,448	551,742	249,706
Total	\$933,142	\$654,184	\$278,958

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

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**Note 4 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 5 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance Lease	\$21,729	3.75%
Blacktop Lease	91,048	3.44%
Fire Station Bonds	356,016	3.88%
Community Building Bonds	125,705	3.88%
2016 Ford Truck	40,433	4.07%
Jaws of Life Cutter	21,113	5.69%
Total	<u>\$656,044</u>	

In March 2011, the Township authorized the issuance of bonds for the purpose of constructing and equipping a new fire station in the amount of \$450,000. Semi-annual installments of \$16,277 are required to repay these bonds for a period of 20 years. These bonds are secured by the full faith and credit of the Township.

In October 2011, the Township authorized the issuance of bonds for the purpose of constructing a new community building in the amount of \$150,000. As of December 31, 2012, the Township had advanced the entire balance. After the first 6 months of the term, semi-annual installments of \$5,355 are required to repay these bonds with a final payment due on April 30, 2032. For the first 6 months of the term, monthly amounts due represent only interest on the outstanding balance. These bonds are secured by the full faith and credit of the Township.

In November 2014, the Township entered into a lease purchase agreement for the purpose of purchasing an ambulance for the Township's EMS in the amount of \$41,900. Semi-annual installments of \$5,693 are required to repay this lease for a period of 4 years, with the final payment due October 30, 2018. This lease is secured by the full faith and credit of the Township.

In September 2015, the Township entered into a lease purchase agreement to finance paving and repairs to Cooper Road, Henry Cooper Road, Pleasant Hill Road and Mershon Road in the amount of \$100,000. Semi-annual installments of \$5,998 are required to repay this lease for a period of 10 years. This lease is secured by the full faith and credit of the Township.

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

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**Note 5 – Debt (Continued)**

On February 19, 2016, the Township entered into a lease-purchase agreement with Wesbanco Bank, Inc. The purpose of this lease-purchase agreement is to purchase a 2016 Ford truck for Township use. The Township’s first payment of \$5,066 is due October 1, 2016. The maturity date of the agreement is April 30, 2021.

On September 23, 2016, the Township entered into a contract with Republic First National Bank making payments to KS State Bank to purchase a Hurst Jaws of Life Cutter, Spreader, One Telescoping Ram, One AC Adapter and Batteries and Chargers for the Fire Department in the amount of \$21,113. The maturity date of the agreement is September 15, 2021.

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

Year Ending December 31:	Ambulance Lease	Blacktop Lease	Fire Station Bonds	Community Building Bonds	2016 Ford Truck	Jaws of Life
2017	\$11,386	\$11,996	\$32,555	\$10,906	\$10,132	\$4,968
2018	11,386	11,996	32,555	10,906	10,132	4,968
2019	0	11,996	32,555	10,906	10,132	4,968
2020	0	11,996	32,555	10,906	10,132	4,968
2021	0	11,996	32,555	10,906	5,066	4,968
2022-2026	0	47,984	162,775	54,528		
2027-2031	0	0	149,202	54,528		
2032	0	0	0	5,443		
Total	\$22,772	\$107,964	\$474,752	\$169,029	\$45,594	\$24,840

**Note 6 – Retirement System**

The Township’s employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which includes 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, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December, 31 2016.

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and

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

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

reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016, respectively, 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 \$8,000.

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.

Contributions to OTARMA

2016  
\$18,434

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

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

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

**Note 8 – Jointly Governed Organization**

The Township withdrew the contract with the Ambulatory District as of January 2016. The Township provides ambulatory services through the Volunteer Fire and Ambulance Department to the area of Union Township. The Township ambulatory service is supported by taxes that are collected by the Scioto County Auditor from the property owners in Union Township. These taxes are paid to the Township by the County.

**Note 9 – Accountability and Compliance**

The Township did not timely pass appropriations in 2016 in accordance with Ohio Revised Code Section 5705.38.

The Township had expenditures in excess of appropriations during 2017 which is contrary to Ohio Revised Code Section 5705.41(B).

The Township had appropriations in excess of estimated resources in the General Fund during 2016 which is contrary to Ohio Revised Code Section 5705.39.

**Note 10 – Related Parties**

Township trustee Michael Mitchell is brothers with partial owner of Mitchell Brother's Retread. We noted disbursements to Mitchell Brothers Retread totaling \$4,882 for maintenance, repairs, tires and supplies.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees  
Union Township  
Scioto County  
7239 Big Spruce Little Bear Creek Road  
Otway, Ohio 45657

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Union Township, Scioto 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 June 6, 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**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002, that we consider to be material weaknesses.

Union Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-003, 2017-004 and 2017-005.

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

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

June 6, 2018

**Union Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2017 and 2016*

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

**Finding Number 2017-001**

**Material Weakness – Financial Reporting**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. Various misstatements and misclassifications were identified during our audit for 2016 and 2017. Material errors have been corrected in the accompanying financial statements. The Township should implement additional monitoring procedures to ensure balances, receipts and disbursements are properly recorded.

*Client Response:*

The client chose not to respond.

**Finding Number 2017-002**

**Material Weakness – Budgetary Information in UAN**

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Budgetary information entered into the accounting system did not match amounts per the amended certificates and appropriations. Failure to properly document authorized budgetary amounts within the UAN system does not allow for proper monitoring of budget to actual figures. The Township should implement the appropriate procedures to ensure that only authorized budgetary amounts are included in UAN.

*Client Response:*

The client chose not to respond.

**Finding Number 2017-003**

**Noncompliance Citation – Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township incurred expenditures prior to the passage of appropriations resolutions in 2016 and 2017. In addition, the Township's expenditures exceeded appropriations in various funds at December 31, 2017. Failure to properly monitor budget to actual activity subjects the Township to the risk of unauthorized or improper spending. The Township should implement the appropriate procedures, such as timely passage of appropriations and periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized and appropriated amounts.

*Client Response:*

The client chose not to respond.

**Union Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2017 and 2016*

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**Finding Number 2017-004**

**Noncompliance Citation – Timely Passage of Appropriations**

Ohio Revised Code Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1<sup>st</sup>. The Township did not submit appropriations to the County in a timely manner. For 2016 and 2017 they were filed with the County Auditor’s Office on February 23, 2016 and March 27, 2017, respectively. The Township should implement the appropriate procedures to ensure that appropriations are filed with the County Auditor on or about the first day of the year.

*Client Response:*

The client chose not to respond.

**Finding Number 2017-005**

**Noncompliance Citation – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township’s general fund had appropriations in excess of estimated resources in 2016. The Township should implement procedures to ensure that appropriations for a given year do not exceed the total estimated resources for that year.

*Client Response:*

The client chose not to respond.

**Union Township**  
**Scioto County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2017 and 2016*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2015-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2017-001
Finding 2015-002	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2017-002
Finding 2015-003	Noncompliance – ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2017-003
Finding 2015-004	Noncompliance – ORC 5705.38 – Timely Passage of Appropriations	No	Reissued as Finding 2017-004

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# Dave Yost • Auditor of State

UNION TOWNSHIP

SCIOTO COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 4, 2018