



OHIO AUDITOR OF STATE
KEITH FABER



**UNION TOWNSHIP
SCIOTO COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Union Township
Scioto County
13681 State Route 73
McDermott, OH 45652

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 the Union Township, Scioto County, Ohio (the Township) as of and for the years ended December 31, 2019 and December 31, 2018.

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, 2019 and December 31, 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Union Township, Scioto County as of December 31, 2019 and December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 6, 2020

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$62,450	\$190,754	\$0	\$0	\$253,204
Charges for Services	0	33,776	0	0	33,776
Licenses, Permits and Fees	0	6,867	0	0	6,867
Intergovernmental	34,701	191,672	0	60,000	286,373
Earnings on Investments	2,501	316	0	0	2,817
Miscellaneous	4,632	5,450	0	0	10,082
<i>Total Cash Receipts</i>	<u>104,284</u>	<u>428,835</u>	<u>0</u>	<u>60,000</u>	<u>593,119</u>
Cash Disbursements					
Current:					
General Government	97,379	222	0	0	97,601
Public Safety	0	142,072	0	0	142,072
Public Works	1,180	89,316	0	41,445	131,941
Health	0	13,159	0	0	13,159
Human Services	0	16,006	0	0	16,006
Capital Outlay	0	8,925	0	60,000	68,925
Debt Service:					
Principal Retirement	0	48,474	7,628	0	56,102
Interest and Fiscal Charges	0	13,795	3,549	0	17,344
<i>Total Cash Disbursements</i>	<u>98,559</u>	<u>331,969</u>	<u>11,177</u>	<u>101,445</u>	<u>543,150</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,725</u>	<u>96,866</u>	<u>(11,177)</u>	<u>(41,445)</u>	<u>49,969</u>
Other Financing Receipts (Disbursements)					
Loans Proceeds	0	0	0	44,650	44,650
Transfers In	0	0	6,246	0	6,246
Transfers Out	(6,246)	0	0	0	(6,246)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,246)</u>	<u>0</u>	<u>6,246</u>	<u>44,650</u>	<u>44,650</u>
<i>Net Change in Fund Cash Balances</i>	(521)	96,866	(4,931)	3,205	94,619
<i>Fund Cash Balances, January 1</i>	<u>81,231</u>	<u>394,704</u>	<u>5,453</u>	<u>0</u>	<u>481,388</u>
Fund Cash Balances, December 31					
Restricted	0	481,635	522	3,205	485,362
Committed	0	9,935	0	0	9,935
Unassigned	80,710	0	0	0	80,710
<i>Fund Cash Balances, December 31</i>	<u>\$80,710</u>	<u>\$491,570</u>	<u>\$522</u>	<u>\$3,205</u>	<u>\$576,007</u>

See accompanying notes to the basic financial statements

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Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provide 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 financial 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 which are organized on a fund type basis.

Cash

The Township maintains its cash pool in an interest-bearing checking account which 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 accounts for and reports all financial resources not accounted for and reported in another fund.

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:

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Community Center - The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the Community Center.

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

Public Works Capital Project - The Township had a joint paving project with the Scioto County Engineer.

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. The County Budget Commission must also approve the annual appropriations. Unencumbered 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 carried over and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,499	\$104,284	\$29,785
Special Revenue	325,817	428,835	103,018
Debt Service	0	6,246	6,246
Capital Projects	0	104,650	104,650
Total	\$400,316	\$644,015	\$243,699

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,498	\$110,730	\$4,768
Special Revenue	427,885	374,305	53,580
Debt Service	11,206	11,177	29
Capital Projects	44,650	101,445	(56,795)
Total	\$599,239	\$597,657	\$1,582

Note 4 – Deposits

The Township maintains a deposits 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:

	2019
Demand deposits	\$576,007

Deposits

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

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 non-business, owner occupancy, and homestead exemption credits and/or 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.

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty;
- Public official’s liability; and
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	2019
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Social Security

Some Township’s employees contributed to 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, 2019.

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Wright's Run Road (OPWC)	\$40,587	5.00%
Blacktop Lease	64,431	3.44%
Fire Station Bonds	294,476	3.88%
Community Building Bonds	103,295	3.88%
2016 Ford Truck	13,451	4.07%
Jaws of Life Cutter	9,148	5.69%
Total	<u>\$525,388</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, monthly amounts due represent only interest on the outstanding balance. These bonds are 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'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 contact with Republic First National Bank making payments to KS State Bank to purchase a Hurst Jaws of Life Cutter, (1) Spreader, One Telescoping Ram, One AC Adopter and Batteries and Chargers for the Fire Department in the mount of \$21,113. The Township's first of five payments in the amount of \$4,968.27 being made September 15, 2017. The maturity date of the agreement is September 15, 2021.

On June 13, 2019, the Township entered into a loan agreement with Wesbanco, Bank, Inc. The purpose of this loan is to cover their portion of the Ohio Public Works Grant to finance paving and repairs to Wright's Run Road in the amount of \$45,000. Semi-annual installments of \$5,100.79 are required to repay this loan for a period of 5 years. This loan is secured by the full faith and credit of the Township. The maturity date of the agreement is April 1, 2024.

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	Wright's Run Road	Blacktop Lease	Fire Station Bonds	Community Building Bonds	2016 Ford Truck	Jaws of Life
2020	\$10,202	\$11,996	\$32,555	\$10,906	\$10,132	\$4,968
2021	10,202	11,996	32,555	10,906	4,632	4,968
2022	10,202	11,996	32,555	10,906	0	0
2023	10,202	11,996	32,555	10,906	0	0
2024	5,097	11,996	32,555	10,906	0	0
2025-2029	0	11,996	162,775	54,528	0	0
2030-2032	0	0	44,306	27,254	0	0
Total	\$45,905	\$71,976	\$369,856	\$136,312	\$14,764	\$9,936

Note 9 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township's investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either, federal or state, cannot be estimated.

Note 10 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Miscellaneous Special Revenue Fund by \$16,006, Community Center Fund by \$11,206 and the Public Works Commission Project Fund by \$44,650 for the year ended December 31, 2019.

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Union Township
Scioto County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$61,169	\$181,835	\$0	\$243,004
Charges for Services	1,419	30,975	0	32,394
Licenses, Permits and Fees	350	12,657	0	13,007
Intergovernmental	34,764	120,604	0	155,368
Earnings on Investments	2,262	240	0	2,502
Miscellaneous	2,225	8,600	0	10,825
<i>Total Cash Receipts</i>	<u>102,189</u>	<u>354,911</u>	<u>0</u>	<u>457,100</u>
Cash Disbursements				
Current:				
General Government	94,902	320	0	95,222
Public Safety	0	184,487	0	184,487
Public Works	19,186	93,903	0	113,089
Health	0	20,281	0	20,281
Human Services	0	0	0	0
Capital Outlay	0	6,463	0	6,463
Debt Service:				
Principal Retirement	11,852	49,130	0	60,982
Interest and Fiscal Charges	4,390	14,357	0	18,747
<i>Total Cash Disbursements</i>	<u>130,330</u>	<u>368,941</u>	<u>0</u>	<u>499,271</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,141)</u>	<u>(14,030)</u>	<u>0</u>	<u>(42,171)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	0	5,453	5,453
Transfers Out	(5,453)	0	0	(5,453)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,453)</u>	<u>0</u>	<u>5,453</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(33,594)	(14,030)	5,453	(42,171)
<i>Fund Cash Balances, January 1</i>	<u>114,825</u>	<u>408,734</u>	<u>0</u>	<u>523,559</u>
Fund Cash Balances, December 31				
Restricted	0	393,391	5,453	398,844
Committed	0	1,313	0	1,313
Unassigned	81,231	0	0	81,231
<i>Fund Cash Balances, December 31</i>	<u>\$81,231</u>	<u>\$394,704</u>	<u>\$5,453</u>	<u>\$481,388</u>

See accompanying notes to the basic financial statements

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Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provide 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 financial 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 which are organized on a fund type basis.

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Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Community Center - The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the Community Center.

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. The County Budget Commission must also approve the annual appropriations. Unencumbered 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 carried over and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Fund Balance

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,634	\$102,189	\$28,555
Special Revenue	309,904	354,911	45,007
Debt Service	0	5,453	5,453
Total	\$383,538	\$462,553	\$79,015

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$140,088	\$139,796	\$292
Special Revenue	553,511	384,151	169,360
Total	\$693,599	\$523,947	\$169,652

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits

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

	<u>2018</u>
Demand deposits	\$481,388

Deposits

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

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 non-business, owner occupancy, and homestead exemption credits and/or 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 a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty;
- Public official’s liability; and
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	\$7,874,610

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Social Security

Some Township’s employees contributed to 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, 2018.

Note 8 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Blacktop Lease	\$73,931	3.44%
Fire Station Bonds	315,585	3.88%
Community Building Bonds	111,745	3.88%
2016 Ford Truck	22,695	4.07%
Jaws of Life Cutter	13,356	5.69%
Total	\$537,312	

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 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 to October 30, 2018. This lease is secured by the full faith and credit of the Township. This lease was paid in full during 2018.

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'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, (1) Spreader, One Telescoping Ram, One AC Adopter and Batteries and Chargers for the Fire Department in the amount of \$21,113. The Township's first of five payments in the amount of \$4,968.27 being made September 15, 2017. The maturity date of the agreement is September 15, 2021.

Amortization

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

Year Ending		Community			
December 31:	Blacktop Lease	Fire Station	Building	2016 Ford	Jaws of Life
		Bonds	Bonds	Truck	
2019	\$11,996	\$32,555	\$10,906	\$10,132	\$4,968
2020	11,996	32,555	10,906	10,132	4,968
2021	11,996	32,555	10,906	4,632	4,968
2022	11,996	32,555	10,906	0	0
2023	11,996	32,555	10,906	0	0
2024-2028	23,992	162,775	54,528	0	0
2029-2032	0	76,861	38,160	0	0
Total	<u>\$83,972</u>	<u>\$402,411</u>	<u>\$147,218</u>	<u>\$24,896</u>	<u>\$14,904</u>

Union Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township's investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either, federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

Union Township
Scioto County
50 Arion Road
McDermott, Ohio 45652

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 the Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated July 6, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2019-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 6, 2020

**UNION TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing, and maintaining internal controls relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township misclassified and misposted various revenues and expenditures in the annual financial report submitted to the Auditor of State for fiscal years 2019 and 2018, as follows:

December 31, 2019 Financial Statements:

- General Fund Intergovernmental receipts in the amount of \$12,078 were misposted as Tax receipts.
- Intergovernmental receipts in the amount of \$2,284 were recorded in the General Fund instead of \$952 to the Gasoline Tax Fund, \$222 to the Cemetery Fund, and \$1,110 to the Ambulance Fund.
- Intergovernmental receipts in the amount of \$3,391 were recorded in the General Fund instead of \$319 to the Gasoline Tax Fund and \$3,072 to Fire Fund.
- Road and Bridge Fund Intergovernmental receipts in the amount of \$2,281 were misposted as Tax receipts.
- Cemetery Fund Intergovernmental receipts in the amount of \$773 were misposted as Tax receipts.
- Fire Fund Intergovernmental receipts in the amount of \$6,127 were misposted as Tax receipts.
- Ambulance Fund Intergovernmental receipts in the amount of \$3,436 were misposted as Tax receipts.
- Road and Bridget Fund Balance in the amount of \$9,935 was recorded as Restricted instead of Committed according to Auditor of State Bulletin 2011-004.
- Fire Fund Principal disbursements in the amount of \$4,208 and Interest disbursements in the amount of \$760 were misposted as \$1,845 to Public Safety disbursements and \$3,123 to Capital Outlay disbursements.
- Public Works Project Fund Loan Proceeds in the amount of \$44,650 were misposted as Intergovernmental receipts.
- On behalf memo activity relating to an Ohio Public Works Commission Project Grant was not recorded, thus, Public Works Projects Fund Intergovernmental receipts and Capital Outlay disbursements were both understated by \$60,000. See Auditor of State Bulletins 2000-008 and 2002-004.
- Community Building Fund Interest disbursements in the amount of \$1,345 was misposted as Principal Retirement disbursements.

**FINDING NUMBER 2019-001
(Continued)**

- Intergovernmental receipts in the amount of \$973 were recorded in the General Fund instead of \$140 to Road and Bridge Fund, \$62 to Cemetery Fund, \$494 to Fire Fund, and \$277 to Ambulance Fund.
- Ambulance Fund Charges for Services receipts and Public Safety disbursements were understated by \$2,823.

December 31, 2018 Financial Statements:

- January 1, 2018 fund balances were misstated due to prior audit adjustments being posted to the accounting system backwards. As a result, the January 1, 2018 General Fund balance and Ambulance Fund balance were overstated by \$33,484 and \$4,204, respectively, and the following fund balances were understated: Road and Bridge Fund by \$19,250, Cemetery Fund by \$2,148 and Fire Fund by \$16,290.
- General Fund Intergovernmental receipts in the amount of \$12,112 were misposted as Tax receipts.
- Road and Bridge Fund Intergovernmental receipts in the amount of \$2,288 were misposted as Tax receipts.
- Cemetery Fund Intergovernmental receipts in the amount of \$779 were misposted as Tax receipts.
- Fire Fund Intergovernmental receipts in the amount of \$5,908 were misposted as Tax receipts.
- Ambulance Fund Intergovernmental receipts in the amount of \$3,161 were misposted as Tax receipts.
- Road and Bridge Fund Balance in the amount of \$1,313 was recorded as Restricted instead of Committed according to Auditor of State Bulletin 2011-004.
- Fire Fund Interest disbursements in the amount of \$987 were misposted as Principal Retirement disbursements.

The Township has adjusted the financial statements and accounting system, where appropriate, to correct these errors.

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

We also recommend the Township Fiscal Officer refer to the Ohio Township Handbook and Auditor of State Bulletins 2000-008, 2002-004 and 2011-004 and also take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Township's receipts and disbursements.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2019-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2019 the Township’s appropriations exceeded the amount certified by the budget commission as follows:

Fund	Estimated Resources	Appropriations	Variance
2901 - Miscellaneous Special Revenue Fund	\$0	\$16,006	(\$16,006)
3101 - Community Center Fund	\$0	\$11,206	(\$11,206)
4401 - Public Works Commission Project Fund	\$0	\$44,650	(\$44,650)

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township’s compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

Official’s Response:

We did not receive a response from Officials to this finding.

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Union Township
Scioto County
50 Arion Road
McDermott, OH 45652

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Years Ended December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness – Financial Reporting	Not Corrected	Reissued as Finding 2019-001
2017-002	Material Weakness – Budgetary Information within UAN System	Partially Corrected	Reissued in Management Letter
2017-003	Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)	Fully Corrected	
2017-004	Noncompliance Citation – Ohio Rev. Code Section 5705.38(A)	Fully Corrected	
2017-005	Noncompliance Citation – Ohio Rev. Code Section 5705.39	Not Corrected	Reissued as Finding 2019-002

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OHIO AUDITOR OF STATE KEITH FABER



UNION TOWNSHIP

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/4/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov