



Dave Yost • Auditor of State



**UNION TOWNSHIP  
LOGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Union Township  
Logan County  
2405 Township Road 46 South  
Bellefontaine, Ohio 43311

To the Members of the Board:

### ***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, Logan County, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1B 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.

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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, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Union Township, Logan County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Emphasis of Matter***

As described in Note 2, the Township restated the December 31, 2012 Special Revenue and Private Purpose Trust Fund balances to correctly classify a fund.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 3, 2015

**UNION TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>General</u>  | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|-----------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                         |                 |                            |                             |   |
| Property and Other Local Taxes                | \$33,259        | \$37,694                   | \$34,170                    | \$105,123                               |
| Charges for Services                          | 1,638           |                            |                             | 1,638                                   |
| Licenses, Permits and Fees                    |                 | 3,443                      |                             | 3,443                                   |
| Intergovernmental                             | 13,020          | 102,024                    | 93,003                      | 208,047                                 |
| Earnings on Investments                       | 142             | 68                         |                             | 210                                     |
| Miscellaneous                                 | 2,223           |                            |                             | 2,223                                   |
| Total Cash Receipts                           | <u>50,282</u>   | <u>143,229</u>             | <u>127,173</u>              | <u>320,684</u>                          |
| <b>Cash Disbursements:</b>                    |                 |                            |                             |   |
| <b>Current:</b>                               |                 |                            |                             |   |
| General Government                            | 42,357          | 2,947                      | 771                         | 46,075                                  |
| Public Safety                                 | 11,669          |                            |                             | 11,669                                  |
| Public Works                                  |                 | 118,123                    | 87,628                      | 205,751                                 |
| Health  | 1,221           | 1,750                      |                             | 2,971                                   |
| Capital Outlay                                | 8,062           | 14,000                     | 27,440                      | 49,502                                  |
| Total Cash Disbursements                      | <u>63,309</u>   | <u>136,820</u>             | <u>115,839</u>              | <u>315,968</u>                          |
| Excess of Receipts Over (Under) Disbursements | <u>(13,027)</u> | <u>6,409</u>               | <u>11,334</u>               | <u>4,716</u>                            |
| Net Change in Fund Cash Balances              | (13,027)        | 6,409                      | 11,334                      | 4,716                                   |
| Fund Cash Balances, January 1                 | <u>60,096</u>   | <u>72,686</u>              | <u>2,204</u>                | <u>134,986</u>                          |
| <b>Fund Cash Balances, December 31:</b>       |                 |                            |                             |   |
| Restricted                                    |                 | 79,095                     | 13,538                      | 92,633                                  |
| Assigned                                      | 40,984          |                            |                             | 40,984                                  |
| Unassigned (Deficit)                          | 6,085           |                            |                             | 6,085                                   |
| Fund Cash Balances, December 31               | <u>\$47,069</u> | <u>\$79,095</u>            | <u>\$13,538</u>             | <u>\$139,702</u>                        |

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

**UNION TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>General</u>  | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|-----------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                                 |                 |                            |                             |   |
| Property and Other Local Taxes                        | \$25,483        | \$28,881                   | \$33,341                    | \$87,705                                |
| Charges for Services                                  | 1,638           |                            |                             | 1,638                                   |
| Licenses, Permits and Fees                            |                 | 1,896                      |                             | 1,896                                   |
| Intergovernmental                                     | 18,970          | 97,651                     | 37,759                      | 154,380                                 |
| Earnings on Investments                               | 179             | 79                         |                             | 258                                     |
| Miscellaneous   | 6,226           | 800                        |                             | 7,026                                   |
| Total Cash Receipts                                   | <u>52,496</u>   | <u>129,307</u>             | <u>71,100</u>               | <u>252,903</u>                          |
| <b>Cash Disbursements:</b>                            |                 |                            |                             |   |
| <b>Current:</b>                                       |                 |                            |                             |   |
| General Government                                    | 61,757          | 1,909                      | 817                         | 64,483                                  |
| Public Safety   | 11,669          |                            |                             | 11,669                                  |
| Public Works  |                 | 125,167                    | 34,517                      | 159,684                                 |
| Health  | 2,775           | 224                        |                             | 2,999                                   |
| Capital Outlay  |                 |                            | 37,817                      | 37,817                                  |
| Total Cash Disbursements                              | <u>76,201</u>   | <u>127,300</u>             | <u>73,151</u>               | <u>276,652</u>                          |
| Excess of Receipts Over (Under) Disbursements         | <u>(23,705)</u> | <u>2,007</u>               | <u>(2,051)</u>              | <u>(23,749)</u>                         |
| Fund Cash Balances, January 1 (Restated - See Note 2) | <u>83,801</u>   | <u>70,679</u>              | <u>4,255</u>                | <u>158,735</u>                          |
| <b>Fund Cash Balances, December 31:</b>               |                 |                            |                             |   |
| Restricted  |                 | 72,686                     | 2,204                       | 74,890                                  |
| Assigned  | 54,493          |                            |                             | 54,493                                  |
| Unassigned (Deficit)                                  | 5,603           |                            |                             | 5,603                                   |
| Fund Cash Balances, December 31                       | <u>\$60,096</u> | <u>\$72,686</u>            | <u>\$2,204</u>              | <u>\$134,986</u>                        |

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

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Logan County, Ohio, (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 and improvements, cemetery maintenance, and zoning services. The township contracts with the Village of DeGraff and the Village of West Liberty for fire services and Riverside Emergency Medical Services to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for the entity.

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

**B. Accounting Basis**

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.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Township held no investments at December 31, 2014 and 2013.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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:

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Road and Bridge Fund** - This fund receives property tax money from in-side millage for constructing, maintaining, and repairing Township roads and bridges.

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

**3. Capital Project Funds**

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

**Road Levy Fund** - This fund receives money from a tax levy for constructing, maintaining and repairing Township roads.

**Public Works Projects Fund #1** – This fund accounts for Logan County sales tax project money spent on be-half of the Township for paving and resurfacing Township roads.

**Public Works Projects Fund #2** – This fund accounts for Ohio Public Works Commission money spent on be-half of the Township for paving in 2014.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. 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 re-appropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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:

**1. Non-spendable**

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. 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.

**3. 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.

**4. 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.

**5. Unassigned**

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

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

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Property, Plant, and Equipment**

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

**2. RESTATEMENT OF FUND BALANCES**

The Township previously classified the Cemetery Endowment Fund as a Private Purpose Trust Fund. Since the Township could not locate the trust agreement that established this Trust Fund, the fund has been reclassified to a Special Revenue Fund. This reclassification had the following impact on the fund type balances:

|                       | <b>Fund Balance at<br/>December 31, 2012</b> | <b>Restatement</b> | <b>Adjusted Fund Balance<br/>At December 31, 2012</b> |
|-----------------------|--|--------------------|---|
| Special Revenue       | \$70,336                                     | \$343              | \$70,679  |
| Private Purpose Trust | 343  | (343)              |   |

**3. EQUITY IN POOLED DEPOSITS**

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

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Demand deposits                                | \$1,356     | \$5,239     |
| Other time deposits (savings and NOW accounts) | 138,346     | 129,747     |
| Total deposits                                 | \$139,702   | \$134,986   |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2014 and 2013 follows:

| <b>2014 Budgeted vs. Actual Receipts</b> |                              |                            |                 |
|--|------------------------------|----------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted<br/>Receipts</b> | <b>Actual<br/>Receipts</b> | <b>Variance</b> |
| General                                  | \$50,383                     | \$50,282                   | (\$101)         |
| Special Revenue                          | 139,414                      | 143,229                    | 3,815           |
| Capital Projects                         | 127,263                      | 127,173                    | (90)            |
| Total                                    | \$317,060                    | \$320,684                  | \$3,624         |

| <b>2014 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                    |                                   |                 |
|--|------------------------------------|-----------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation<br/>Authority</b> | <b>Budgetary<br/>Expenditures</b> | <b>Variance</b> |
| General  | \$96,335                           | \$63,799                          | \$32,536        |
| Special Revenue  | 198,882                            | 136,820                           | 62,062          |
| Capital Projects   | 125,992                            | 115,839                           | 10,153          |
| Total  | \$421,209                          | \$316,458                         | \$104,751       |

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

| <b>2013 Budgeted vs. Actual Receipts</b> |                              |                            |                 |
|--|------------------------------|----------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted<br/>Receipts</b> | <b>Actual<br/>Receipts</b> | <b>Variance</b> |
| General                                  | \$52,576                     | \$52,496                   | (\$80)          |
| Special Revenue                          | 127,617                      | 129,307                    | 1,690           |
| Capital Projects                         | 71,334                       | 71,100                     | (234)           |
| Total                                    | \$251,527                    | \$252,903                  | \$1,376         |

| <b>2013 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                    |                                   |                 |
|--|------------------------------------|-----------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation<br/>Authority</b> | <b>Budgetary<br/>Expenditures</b> | <b>Variance</b> |
| General  | \$121,019                          | \$84,742                          | \$36,277        |
| Special Revenue  | 197,952                            | 127,300                           | 70,652          |
| Capital Projects   | 75,589                             | 73,151                            | 2,438           |
| Total  | \$394,560                          | \$285,193                         | \$109,367       |

**5. PROPERTY TAX**

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 February 18. The second half payment is due the following July 15, 2015.

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

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

Effective July 1, 1991, all employees not otherwise covered by OPERS have an option to choose Social Security. One Trustee has elected to pay into Social Security instead of OPERS. The Township's liability is 6.2 percent of wages paid.

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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.

**A. 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, 2014, 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.

**B. 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, 2013 and 2014:

|              | <u>2013</u>         | <u>2014</u>         |
|--------------|---------------------|---------------------|
| Assets       | \$34,954,286        | \$35,970,263        |
| Liabilities  | 8,486,363           | 8,912,432           |
| Net Position | <u>\$26,467,923</u> | <u>\$27,057,831</u> |

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**UNION TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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.

| <b>Contributions to OTARMA</b> |                |
|--------------------------------|----------------|
| <b>2013</b>                    | <b>2014</b>    |
| <b>\$3,774</b>                 | <b>\$3,863</b> |

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.

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# Dave Yost • Auditor of State

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

Union Township  
Logan County  
2405 Township Road 46 South  
Bellefontaine, Ohio 43311

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Union Township, Logan County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, have issued our report thereon dated December 3, 2015 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 Township restated the December 31, 2012 Special Revenue and Private Purpose Trust Fund balances to correctly classify a fund.

### ***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 2014-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 3, 2015

**UNION TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2014-001**

**Material Weakness – Accuracy and Completeness of Financial Reporting**

The Township should have procedures and controls in place to prevent and detect errors and omissions in the financial statements, notes to the financial statements, and accounting records. The following errors or omissions were identified in the financial statements, notes to the financial statements, and accounting records:

**2014**

- Auditor and treasurer fees in the amount of \$857 recorded in the Special Revenue Road and Bridge Fund were classified as public works instead of general government disbursements.
- Auditor and treasurer fees in the amount of \$771 recorded in the Capital Projects Road Improvement Fund were classified as capital outlay instead of general government disbursements.
- The purchase of a truck from the General Fund in the amount of \$8,062 was recorded as a public works disbursement instead of capital outlay.
- General Fund encumbrances in the amount of \$490 were classified as unassigned instead of assigned fund balance.
- General Fund subsequent year appropriations in excess of estimated receipts in the amount \$40,494 were classified as unassigned instead of assigned fund balance.

**2013**

- Auditor and treasurer fees in the amount of \$709 recorded in the Special Revenue Road and Bridge Fund were classified as public works instead of general government disbursements.
- Auditor and treasurer fees in the amount of \$817 recorded in the Capital Projects Road Improvement Fund were classified as capital outlay instead of general government disbursements.
- General Fund encumbrances in the amount of \$8,541 were classified as unassigned instead of assigned fund balance.
- General Fund subsequent year appropriations in excess of estimated receipts in the amount \$45,952 were classified as unassigned instead of assigned fund balance.

The notes to the financial statements reported the Road Levy Fund as a significant special revenue fund instead of a capital projects fund; the Issue II Fund was identified as a significant capital projects fund when the accounting records only showed the Road Levy and two separate Public Works funds as capital projects funds, and the Motor Vehicle License Tax fund was incorrectly identified as a significant special revenue fund. The 2014 budgetary note reflected 2014 appropriations for the Capital Projects Fund as \$421,209 instead of \$125,992. Note disclosure was not included for the one Trustee that contributed to the Social Security System.

The accompanying financial statements and notes have been adjusted to correct these errors.

**FINDING NUMBER 2014-001  
 (Continued)**

The Township classified its Cemetery Endowment Fund as a Private Purpose Trust Fund, at December 31, 2014 and 2013 with a balance of \$345 and \$344, respectively. The Township was unable to locate a trust agreement for this fund. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose trust fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending on whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

The impact on the fund type balances at December 31 is as follows:

| 2014                  |        | 2013                  |        |
|-----------------------|--------|-----------------------|--------|
| Fund Type             | Amount | Fund Type             | Amount |
| Special Revenue       | \$345  | Special Revenue       | \$344  |
| Private Purpose Trust | (345)  | Private Purpose Trust | (344)  |

The accompanying financial statements have been adjusted to reclassify the Cemetery Endowment Fund from a Private Purpose Trust Fund to a Special Revenue Fund. At the Township's December 8, 2015 meeting, the Trustees passed a resolution to classify the Cemetery Endowment Fund as a Special Revenue Fund. The Township accounting records will be adjusted in 2016 to correctly classify this Fund.

In addition, during 2013 a homestead and rollback payment from the State of Ohio in the amount of \$6,436 was voided since it was not cashed within 90 days. The amount of lost/delayed receipts and impact on the respective funds was:

- **General Fund** – \$1,866 which is 3.5% of receipts and 3% of the December 31, 2013 fund balance;
- **Road and Bridge Fund** – \$2,124 which is 6.9% of receipts and 14.2% of ending fund balance; and
- **Road Levy Fund** – approximately \$2,446 which is 6.8% of receipts and 111% of ending fund balance.

Financial reporting errors impact the users understating of the results of operations and year-end fund balances. The failure to monitor financial information in a manner that detects unrecorded receipts could result in irregularities not being detected in a timely manner. Also, by not timely recording receipts the Township may not have adequate resources to cover appropriations and/or obligations of individual funds.

The errors identified above should be reviewed by the Fiscal Officer to help prevent similar errors in subsequent years. Also, the Township Fiscal Officer should utilize resources such as the Ohio Township Handbook, UAN Manual, Auditor of State Bulletins, to aid in correctly classifying receipts, disbursements, and funds. When reviewing financial reports, the Trustees should look for errors and unrecorded financial activity.

The Fiscal Officer and Trustees should contact their Legal Counsel for assistance in locating the trust agreement for the Cemetery Endowment Fund and for a final legal determination. This fund should be classified in future financial reporting according to the guidance provided by the Legal Counsel.

**FINDING NUMBER 2014-001  
(Continued)**

**OFFICIALS' RESPONSE:** Will review the accounts showing the classification of public works versus general government disbursements. These classifications will be corrected for 2015 if they have the same disbursement classification. The Township will have procedures and controls in place to prevent and detect errors and omissions in the financial statements, notes to the financial statements and accounting records.

The Township Trustees met in regular session on December 8, 2015 and a resolution was passed changing the Cemetery Endowment Fund from a Private Purpose Trust Fund to a Special Revenue Fund as no trust agreement is available. Legal Counsel is reviewing the resolution to ensure we have the final legal determination.

The State of Ohio 2013 homestead and rollback payment has been collected and deposited into the Union Township account and procedures placed for checking to ensure that these funds are collected.

The Fiscal Officer will utilize resources as mentioned to prevent similar errors.

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# Dave Yost • Auditor of State

UNION TOWNSHIP

LOGAN 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  
FEBRUARY 4, 2016