

UNION TOWNSHIP
CLERMONT COUNTY, OHIO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Union Township, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 14, 2016

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**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Union Township, Clermont County, (the Township) as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principle

As described in Note 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, 2015, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Union Township, Clermont County as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink and is positioned above the typed name and date.

Cincinnati, Ohio
April 30, 2016

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 1,075,357	\$ 14,194,522	\$ -	\$ 15,269,879
Intergovernmental	280,725	2,491,341	-	2,772,066
Special Assessments	-	48,575	-	48,575
Payments in Lieu of Taxes	-	7,775,690	-	7,775,690
Charges for Services	-	319,500	-	319,500
Fines, Licenses and Permits	532,558	611,338	-	1,143,896
Fines and Forfeitures	60,712	15,770	-	76,482
Earnings on Investments	14,226	2,227	-	16,453
Miscellaneous	620,307	1,901,773	-	2,522,080
Total Cash Receipts	2,583,885	27,360,736	-	29,944,621
<i>Cash Disbursements:</i>				
Current:				
General Government	2,329,095	10,625,854	-	12,954,949
Public Safety	-	8,459,027	-	8,459,027
Public Works	-	1,952,544	-	1,952,544
Health	383,027	287,010	-	670,037
Conservation/Recreation	627,598	-	-	627,598
Other	-	16,517	-	16,517
Capital Outlay	82,068	3,660,297	-	3,742,365
Debt Service:				
Redemption of Principal	-	1,672,531	29,665,000	31,337,531
Interest and Fiscal Charges	-	1,440,290	161,342	1,601,632
Total Cash Disbursements	3,421,788	28,114,070	29,826,342	61,362,200
Receipts Over (Under) Disbursements	(837,903)	(753,334)	(29,826,342)	(31,417,579)
<i>Other Financing Receipts (Disbursements):</i>				
Sale of Notes	-	2,600,000	29,665,000	32,265,000
Premium on Sale of Notes	-	-	279,444	279,444
Note Issuance Costs	-	(6,750)	(118,102)	(124,852)
Proceeds from Sale of Capital Assets	-	335,417	-	335,417
Transfers-In	652,982	1,166,500	-	1,819,482
Transfers-Out	-	(1,819,482)	-	(1,819,482)
Total Other Financing Receipts (Disbursements)	652,982	2,275,685	29,826,342	32,755,009
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(184,921)	1,522,351	-	1,337,430
Fund Cash Balances, January 1	10,126,451	8,662,681	36,473	18,825,605
Fund Cash Balances, December 31				
Restricted	-	10,185,032	36,473	10,221,505
Assigned	45,826	-	-	45,826
Unassigned	9,895,704	-	-	9,895,704
Fund Cash Balances, December 31	\$ 9,941,530	\$ 10,185,032	\$ 36,473	\$ 20,163,035

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 Union Township, Clermont 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, cemetery maintenance, fire protection and emergency medical services.

Blended Component Unit

The Union Township, Clermont County Community Improvement Corporation, Inc. (CIC), a non-profit organization, is a five member board comprised of the three Township trustees, the Township fiscal officer, and one Township official. The CIC derives the major source of its revenues from Union Township in the form of capital and cash contributions. The CIC began operations in January 2011 for the purpose of fostering economic development in the Township. The CIC works with the Township in many aspects of the overall adopted economic development strategy of the Township with its current efforts focused on facilitating industrial and retail development. Financial statements related to the CIC can be obtained from the Township Planning and Zoning Director. The cash activity for the CIC is reported as part of the Special Revenue fund type of the Township.

Jointly Governed Organizations

The Township participates in the following four jointly governed organizations.

- Ivy Pointe Joint Economic Development District.
- Jungle Jim's Eastgate and Carepointe Clermont Joint Economic Development District.
- The Boys and Girls Club of Clermont County Joint Economic Development District.
- Mt. Carmel Brewing Company Joint Economic Development District

The Joint Economic Development Districts (JEDD) were created as a result of agreements between the Township and the City of Milford to promote economic development activities in geographic areas located in Union Township. Note 11 to the financial statements provides additional information for these entities.

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

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.

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:

Police District Fund - This fund receives property tax and intergovernmental monies for the operation of the Township's Police Department.

Fire District Fund - This fund receives property tax and intergovernmental monies for the operation of the Township's Fire Department.

TIF Fund - This fund receives payments in lieu of taxes under tax increment financing agreements on properties located within the Township.

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

3. 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:

General Bond Retirement Fund - This fund is used to account for the debt service requirements on the Township's general obligation debt.

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 County Budget Commission must also 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 reappropriated.

A summary of 2015 budgetary activity appears in Note 3.

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. Nonspendable

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

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.

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.

H. Accumulated Leave

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2015 was as follows:

Demand deposits - Township	\$18,868,885
Demand deposits - CIC	<u>1,294,150</u>
Total deposits	<u><u>\$20,163,035</u></u>

The Township deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

The CIC's deposits may exceed amounts insured by the Federal Depository Insurance Corporation limits at times throughout the year. Any excess of insured amounts are not collateralized. No losses in such accounts have been experienced and, as a result, CIC management believes it is not exposed to any significant credit risk related to its cash deposits.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,000,000	\$ 3,236,867	\$ 236,867
Special Revenue	24,683,198	25,932,320	1,249,122
Debt Service	29,944,444	29,944,444	-
Total	<u><u>\$ 57,627,642</u></u>	<u><u>\$ 59,113,631</u></u>	<u><u>\$ 1,485,989</u></u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,902,512	\$ 3,467,614	\$ 1,434,898
Special Revenue	31,163,186	26,263,039	4,900,147
Debt Service	29,944,444	29,944,444	-
Total	<u><u>\$ 66,010,142</u></u>	<u><u>\$ 59,675,097</u></u>	<u><u>\$ 6,335,045</u></u>

Activity of the CIC, a blended component unit of the Township, is not presented in the tables above.

4. 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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

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.

5. DEBT

Debt outstanding at December 31, 2015, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2015 Various Purpose General Obligation Bond Anticipation Notes	\$ 29,665,000	1.50%
2015 Promissory Note	2,140,536	3.53%
2006 Equipment Capital Lease	136,557	4.08%
Total	<u>\$ 31,942,093</u>	

The 2015 Various Purpose General Obligation Bond Anticipation Notes relate to the Township's capital improvements to its infrastructure, including Township park improvements, fire station improvements and road improvements. The notes were issued on September 9, 2015 in the amount of \$29,665,000 and are due, with interest, on September 8, 2016. Proceeds from the notes and other funds of the Township were used to retire \$30,650,000 Various Purpose General Obligation Bond Anticipation Notes issued in September 2014.

The 2015 Promissory Note was issued by the CIC in conjunction with a cooperative agreement with Union Township, Eastgate Brew and View, LLC and WesBanco Bank Incorporated to provide funding to the developer for renovations and fixtures for the Eastgate Brew and View movie theater located within the Jungle Jim's International Marketplace. The note was issued on May 26, 2015 in the amount of \$2,600,000 and carries an interest rate of 3.53%. An initial payment on the note due November 1, 2015 included a principal payment of \$213,769 in addition to the scheduled loan principal payment due of \$245,696. (Also see Note 14).

The future principal and interest requirements scheduled to retire the remaining balance of the Promissory Note are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 501,289	\$ 71,175	\$ 572,464
2017	519,141	53,323	572,464
2018	537,627	34,837	572,464
2019	556,774	15,690	572,464
2020	25,705	456	26,161
Total	<u>\$2,140,536</u>	<u>\$175,481</u>	<u>\$2,316,017</u>

Repayment of the note is secured by a promissory note from the developer, Eastgate Brew and View, LLC,

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

to the CIC, along with other pledges made by the Township and the developer. Repayment terms for the developer's note require monthly payments of \$20,561 through October 1, 2030 to be made to the CIC.

The 2006 Equipment Capital Lease relates to the financing of certain equipment. The lease was entered into in January 2006 in the amount of \$1,563,580. The lease is being repaid in annual installments including interest, over ten years. Amortization of the remaining balance on the Equipment Capital Lease is scheduled as follows:

Year ending December 31:	Amount
2016	\$ 142,978
Total Payments	142,978
Less: Interest	(6,421)
Present Value of Minimum Lease Payments	\$ 136,557

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 11.50 percent of their wages from January 1, 2015 through June 30, 2015 and 12.25 percent of their wages from July 1, 2015 through December 31, 2015. For 2015, the Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. For 2015, 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, 2015.

7. TRANSFERS

The CIC is a blended component unit of the Township and is reported within the special revenue fund type of the Township. Activities of the CIC are primarily funded by transfers from the Township. In return, the CIC collects lease and mortgage payments as well as proceeds from the sales of assets, and transfers those funds to the Township. During 2015, the Township and the CIC transferred the following amounts:

Transfer-Out Fund	Transfer-In Fund	Amount
Township's TIF Fund	CIC	\$1,166,500
CIC	General	652,982
Total Transfers		\$1,819,482

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

9. INTERGOVERNMENTAL AGREEMENT

The Township has entered into an intergovernmental agreement with the Clermont County Transportation Improvement District (the District) to provide funding for the development and implementation of the District's projects, including those within the Township. The intergovernmental agreement provides \$100,000 per year to be paid to the District through the year 2028.

10. CONTRACT POSTAL UNIT

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

11. JOINTLY GOVERNED ORGANIZATIONS

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

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

Each JEDD was created to promote economic development activities in certain geographic areas located in Union Township. Each JEDD consist of 5 board members, one member representing the City of Milford, one member representing the Township, one member representing the business owners located in the District, one member representing the persons working in the District and one member selected by the other members to serve as chairperson of the District Board. Each JEDD, pursuant to Revised Code 715.74, has implemented a 1.0% income tax. Net tax revenues of each JEDD is allocated 15% to the City

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)**

and 85% to the Township. The City serves as fiscal agent for the JEDD. The contracts for creating each JEDD can be terminated at any time by mutual consent of the contracting parties.

12. SPECIAL IMPROVEMENT DISTRICT

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

The Port issued \$22,705,000 of Economic Development Special Obligation Bonds and purchased the property from Jungle Jim's. The Bonds are secured by a pledge of the Township of the assessment proceeds of the SID. Assessments of the SID are structured and levied in order for the Township to collect and remit to the Port amounts equal to the annual debt service charges on the bonds, plus an amount not to exceed \$25,000 for annual administrative expenses of the SID over a period of 20 years. The Port, as collateral to the Township, transferred title of the property to the Union Township CIC.

13. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

14. SUBSEQUENT EVENTS

As discussed in Note 9, the Township has entered into an intergovernmental agreement with the Clermont County Transportation Improvement District (the District) to provide funding of \$100,000 per year to be through the year 2028. During February 2016, the intergovernmental agreement was amended to extend funding of \$100,000 through the year ended December 31, 2036.

As discussed in Note 5, a \$2,600,000 Promissory Note was issued by the CIC in conjunction with a cooperative agreement with Union Township, Eastgate Brew and View, LLC and WesBanco Bank Incorporated. During April, 2016 the Board of Trustees of the CIC approved Resolution No. 2016-01 authorizing a Cooperative Refinancing Agreement between the CIC, Union Township, Eastgate Brew & View, LLC and Park National Bank. Under the proposed agreement, the CIC will borrow \$3,050,000 with proceeds to be used to retire the existing balance of the Promissory Note with WesBanco Bank Incorporated as well as providing funding for further site improvements. Eastgate Brew & View, LLC will provide funding for the retirement of the Promissory Note under a revised leasehold mortgage agreement. The Cooperative Refinancing Agreement is expected to be formally executed during May, 2016.

Bastin & Company, LLC

Certified Public Accountants

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

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Union Township, Clermont County, (the Township), as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated April 30, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Bastin & Company, L L C". The signature is written in a cursive style and is centered within a light gray rectangular box.

Cincinnati, Ohio
April 30, 2016



Dave Yost • Auditor of State

UNION TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 28, 2016