

Union Township
Scioto County
Regular Audit
For the Years Ended December 31, 2015 and 2014



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Union Township
Scioto County
Table of Contents
For the Years Ended December 31, 2015 and 2014

Title	Page
Independent Auditor’s Report	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2015	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5 – 11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	12 – 13
Schedule of Findings and Responses	14-15
Schedule of Prior Year Findings	16

Independent Auditor's Report

Board of Trustees
Union Township
Scioto County
50 Arion Road
McDermott, Ohio 45652

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 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 and 2014, 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, Scioto County, as of December 31, 2015 and 2014 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 1.

Other Reporting Required by Government Auditing Standards

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


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

June 30, 2016

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2015

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$59,588	\$180,935	\$240,523
Licenses, Permits, and Fees	0	5,683	5,683
Charges for Services	0	24,417	24,417
Intergovernmental	57,039	127,542	184,581
Earnings on Investments	1,623	449	2,072
Miscellaneous	2,831	5,540	8,371
Total Cash Receipts	121,081	344,566	465,647
Cash Disbursements:			
Current:			
General Government	67,385	16	67,401
Public Safety	0	83,103	83,103
Public Works	0	194,148	194,148
Health	14,326	14,786	29,112
Capital Outlay	0	26,002	26,002
Debt Service:			
Redemption of Principal	5,500	25,908	31,408
Interest and Other Fiscal Charges	5,406	18,032	23,438
Total Cash Disbursements	92,617	361,995	454,612
Total Cash Receipts Over (Under) Cash Disbursements	28,464	(17,429)	11,035
Other Financing Sources:			
Other Debt Proceeds	0	99,432	99,432
Other Financing Sources	3,053	316	3,369
Sale of Capital Assets	0	26,888	26,888
Total Other Financing Sources	3,053	126,636	129,689
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	31,517	109,207	140,724
Fund Cash Balances, January 1	25,040	287,369	312,409
Fund Cash Balances, December 31:			
Restricted for:			
Fire Operations	0	71,229	71,229
Road and Bridge Maintenance and Construction	0	113,383	113,383
Cemetery	0	22,650	22,650
Emergency Medical Services	0	140,262	140,262
Committed to:			
Road and Bridge Maintenance and Construction	0	49,052	49,052
Unassigned	56,557	0	56,557
Fund Cash Balances, December 31	\$56,557	\$396,576	\$453,133

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

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2014

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$56,467	\$151,119	\$207,586
Licenses, Permits, and Fees	0	7,464	7,464
Charges for Services	0	29,075	29,075
Intergovernmental	19,065	118,618	137,683
Earnings on Investments	1,125	420	1,545
Miscellaneous	4,772	5,151	9,923
	<hr/>		
Total Cash Receipts	81,429	311,847	393,276
Cash Disbursements:			
Current:			
General Government	69,629	0	69,629
Public Safety	0	75,718	75,718
Public Works	1,220	116,693	117,913
Health	14,568	11,670	26,238
Capital Outlay	0	109,044	109,044
Debt Service:			
Redemption of Principal	5,358	19,549	24,907
Interest and Other Fiscal Charges	5,547	16,555	22,102
	<hr/>		
Total Cash Disbursements	96,322	349,229	445,551
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Total Cash Receipts Under Cash Disbursements	(14,893)	(37,382)	(52,275)
Other Financing Sources:			
Other Debt Proceeds	0	41,900	41,900
Other Financing Sources	0	5	5
Special Item	0	68,511	68,511
	<hr/>		
Total Other Financing Sources	0	110,416	110,416
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Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements	(14,893)	73,034	58,141
	<hr/>		
Fund Cash Balances, January 1	39,933	214,335	254,268
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Fund Cash Balances, December 31:			
Restricted for:			
Fire Operations	0	50,424	50,424
Road and Bridge Maintenance and Construction	0	100,957	100,957
Cemetery	0	23,059	23,059
Emergency Medical Services	0	90,117	90,117
Other	0	16	16
Committed to:			
Road and Bridge Maintenance and Construction	0	22,796	22,796
Unassigned	25,040	0	25,040
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Fund Cash Balances, December 31	\$25,040	\$287,369	\$312,409

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracted with the Scioto Ambulatory District to provide ambulance services in 2014 and 2015. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 8.

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

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

Cash

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

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of the 2015 and 2014 budgetary activity appears in Note 3.

Fund Balances

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

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

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

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

Note 2 – Equity in Pooled Cash

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

	2015	2014
Demand Deposits	\$453,133	\$312,409

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

Note 3 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,652	\$124,134	(\$6,518)
Special Revenue	571,636	471,202	(100,434)
Total	\$702,288	\$595,336	(\$106,952)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,364	\$92,617	\$23,747
Special Revenue	789,940	361,995	427,945
Total	\$906,304	\$454,612	\$451,692

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 3 – Budgetary Activity (Continued)

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,200	\$81,429	\$229
Special Revenue	411,911	422,263	10,352
Total	<u>\$493,111</u>	<u>\$503,692</u>	<u>\$10,581</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,980	\$96,322	\$17,658
Special Revenue	616,181	349,229	266,952
Total	<u>\$730,161</u>	<u>\$445,551</u>	<u>\$284,610</u>

Note 4 – Property Taxes

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

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

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 5 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ambulance Lease	\$31,992	3.75%
Blacktop Lease	99,432	3.44%
Fire Station Bonds	374,667	3.88%
Community Building Bonds	131,492	3.88%
Total	<u>\$637,583</u>	

On November 15, 2003, the Township entered into a loan with Ohio Public Works Commission (OPWC) to finance the Carpenter Road improvement project. The note to finance this project is secured by the full faith and credit of the Township. The final payment on this loan was made in 2014.

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.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Debt (Continued)

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

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

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

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

Year Ending December 31:	Ambulance Lease	Blacktop Lease	Fire Station Bonds	Community Building Bonds
2016	\$11,386	\$11,996	\$32,555	\$10,906
2017	11,386	11,996	32,555	10,906
2018	11,386	11,996	32,555	10,906
2019	0	11,996	32,555	10,906
2020	0	11,996	32,555	10,906
2021-2025	0	59,980	162,775	54,528
2026-2030	0	0	162,775	54,528
2031-2032	0	0	18,982	16,349
Total	<u>\$34,158</u>	<u>\$119,960</u>	<u>\$507,307</u>	<u>\$179,935</u>

Note 6 – Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 7 – Risk Management

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – Risk Management (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Assets	<u>\$28,894,793</u>	<u>\$27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$10,000.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 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.

Contributions to OTARMA

<u>2015</u>	<u>2014</u>
\$18,973	\$18,099

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

Note 8 – Jointly Governed Organization

The Township is a member of the Scioto Ambulatory District. The Ambulatory District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Union Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The Ambulatory District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Union Township. These taxes are paid to the Ambulatory District by the County. The Township does not assist in funding the Ambulatory District.

Note 9 – Accountability and Compliance

The Township did not timely pass appropriations in 2015 or 2014 in accordance with Ohio Revised Code Section 5705.38.

The Township had expenditures in excess of appropriations during 2015 and 2014 which is contrary to Ohio Revised Code Section 5705.41(B).

Note 10 – Subsequent Events

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.

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

Independent Auditor's Report

Board of Trustees
Union Township
Scioto County
50 Arion Road
McDermott, Ohio 45652

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 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 Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002, that we consider to be material weaknesses.

Union Township
Scioto County

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-003 and 2015-004.

Township's Responses to Findings

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

Purpose of this Report

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



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

June 30, 2016

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2015-001

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township’s financial statements. Various misstatements and misclassifications were identified during our audit for 2014 and 2015. These errors have been corrected in the accompanying financial statements. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Client Response:

Work performed by previous fiscal officer.

Finding Number 2015-002

Material Weakness – Budgetary Information in UAN

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

Client Response:

Work performed by previous fiscal officer.

Finding Number 2015-003

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township incurred expenditures prior to the passage of appropriations resolutions for each year. Failure to properly monitor budget to actual activity subjects the Township to the risk of unauthorized or improper spending. The Township should implement the appropriate procedures, such as timely passage of appropriations and periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized and appropriated amounts.

Client Response:

Work performed by previous fiscal officer.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Finding Number 2015-004

Noncompliance Citation – Timely Passage of Appropriations

Ohio Revised Code Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st. The Township did not submit appropriations to the County in a timely manner. For 2014 and 2015 they were filed with the County Auditor's Office on July 28, 2014 and February 23, 2015, respectively. The Township should implement the appropriate procedures to ensure that appropriations are filed with the County Auditor on or about the first day of the year.

Client Response:

Work performed by previous fiscal officer.

Union Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2015-001
Finding 2013-2	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2015-002
Finding 2013-3	Material Weakness – Maintaining Supporting Documentation	Yes	
Finding 2013-4	Noncompliance – ORC 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as management letter comment
Finding 2013-5	Noncompliance – ORC 5705.39 – Appropriations in Excess of Estimated Resources	Yes	
Finding 2013-6	Noncompliance – ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2015-003
Finding 2013-7	Noncompliance – ORC 5705.38 – Timely Passage of Appropriations	No	Reissued as Finding 2015-004