



Dave Yost • Auditor of State



UNION TOWNSHIP  
CARROLL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types FYE 12/31/16 .....	3
Notes to the Financial Statements FYE 12/31/16.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types FYE 12/31/15 .....	11
Notes to the Financial Statements FYE 12/31/15.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	23

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Union Township  
Carroll County  
2200 Scio Rd. SW  
Carrollton, Ohio 44615

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, Carroll County, Ohio (the Township) as of and for the years ended December 31, 2016 and 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 Principles***

As described in Note 2 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, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Union Township, Carroll County as of December 31, 2016 and 2015, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017, 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

November 3, 2017

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$126,391	\$13,634	\$140,025
Intergovernmental	24,919	103,127	128,046
Earnings on Investments	2		2
Miscellaneous	961	1,564	2,525
<i>Total Cash Receipts</i>	<u>152,273</u>	<u>118,325</u>	<u>270,598</u>
<b>Cash Disbursements</b>			
Current:			
Public Safety		4,943	4,943
Public Works		92,271	92,271
Health	5,950	20,000	25,950
General Government	56,664	20,547	77,211
Capital Outlay	64,333	23,177	87,510
<i>Total Cash Disbursements</i>	<u>126,947</u>	<u>160,938</u>	<u>287,885</u>
<i>Net Change in Fund Cash Balances</i>	25,326	(42,613)	(17,287)
<i>Fund Cash Balances, January 1</i>	<u>127,890</u>	<u>123,376</u>	<u>251,266</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		80,763	80,763
Unassigned (Deficit)	153,216		153,216
<i>Fund Cash Balances, December 31</i>	<u><u>\$153,216</u></u>	<u><u>\$80,763</u></u>	<u><u>\$233,979</u></u>

*See accompanying notes to the basic financial statements*

**This page intentionally left blank.**



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

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Carroll County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance. The Township contracts with the Village of Carrollton Fire Department to provide fire protection services.

***Public Entity Risk Pool***

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

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Gasoline Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Special Levy Road and Bridge Fund*** The special levy road and bridge fund accounts for and reports the receipt of property taxes for maintaining and repairing Township roads and bridges.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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

***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.

***Fund Balance***

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

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

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

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

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

**Note 3 – Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 152,273	\$ 152,273	\$ -
Special Revenue	118,326	118,325	(1)
	\$ 270,599	\$ 270,598	\$ (1)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 66,534	\$ 126,947	\$ (60,413)
Special Revenue	-	160,938	(160,938)
	\$ 66,534	\$ 287,885	\$ (221,351)

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

---

**Note 4 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$60,413 and all special revenue funds for the year ended December 31, 2016. Also contrary to Ohio law, the Township failed to adopt a permanent appropriation measure for fiscal year 2016.

**Note 5 – Deposits and Investments**

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

	<u>2016</u>
Demand deposits	\$ 233,979

***Deposits***

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

**Note 6 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 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.

***Risk Pool Membership***

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), 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.

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

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

Casualty and Property Coverage

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

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

Financial Position

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

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>2016 Contributions to OTARMA</b>
\$5,626

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.

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

---

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Union Township**  
*Carroll County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$102,451	\$100,902	\$203,353
Intergovernmental	23,978	110,817	134,795
Earnings on Investments	5		5
Miscellaneous	7,063	1,136	8,199
<i>Total Cash Receipts</i>	<u>133,497</u>	<u>212,855</u>	<u>346,352</u>
<b>Cash Disbursements</b>			
Current:			
Public Safety		4,500	4,500
Public Works		121,691	121,691
Health	5,950	2,031	7,981
General Government	60,040	19,708	79,748
Capital Outlay		1,700	1,700
<i>Total Cash Disbursements</i>	<u>65,990</u>	<u>149,630</u>	<u>215,620</u>
<i>Net Change in Fund Cash Balances</i>	67,507	63,225	130,732
<i>Fund Cash Balances, January 1</i>	<u>60,383</u>	<u>60,151</u>	<u>120,534</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		123,376	123,376
Unassigned (Deficit)	127,890		127,890
<i>Fund Cash Balances, December 31</i>	<u><u>\$127,890</u></u>	<u><u>\$123,376</u></u>	<u><u>\$251,266</u></u>

*See accompanying notes to the basic financial statements*

**This page intentionally left blank.**



**Union Township**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**Note 1 – Reporting Entity**

Union Township, Carroll County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer. The Township provides general governmental services including road and bridge maintenance. The Township contracts with the Village of Carrollton Fire Department to provide fire protection services.

**Public Entity Risk Pool**

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 8 provides additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements are presented on a *regulatory* cash basis of accounting.

These financial statements follow the basis of accounting prescribed or permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.

**Deposits and Investments**

The Township maintains a pooled interest bearing checking account and a money market checking account that is used by all funds. No other investments are held by the Township.

**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:

**General Fund** The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** These funds are used to account for proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt services or capital projects. The Township had the following significant Special Revenue Funds:

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

**Union Township**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**Note 2 – Summary of Significant Accounting Policies – (Continued)**

Road Levy Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads.

**Budgetary Process**

All funds are legally required to be budgeted and appropriated annually. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

1. Appropriations

Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 re-appropriated in the subsequent year.

**Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave.

**Long-Term Obligations**

The Township has no long-term debt.

**Fund Balance**

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Union Township**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 2 – Summary of Significant Accounting Policies – (Continued)**

**Restricted** Fund balance is reported as 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** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

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

**Note 3 – Budgetary Activity**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,497	\$133,497	\$0
Special Revenue	212,855	212,855	0
Total	\$346,352	\$346,352	\$0

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,765	\$65,990	\$63,775
Special Revenue	203,426	149,630	53,796
Total	\$333,191	\$215,620	\$117,571

**Union Township**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**Note 4 - Equity in Pooled Deposits**

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

	<b><u>2015</u></b>
Demand Deposits	\$251,266

***Deposits***

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

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 6 – Defined Benefit Pension Plans**

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

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Union Township**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**Note 8 – Risk Management**

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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 to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015.

	<b>2015</b>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, respectively, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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 \$2,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>Contributions to OTARMA</b>	
<b>2015</b>	\$4,217

**Union Township**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**Note 8 – Risk Management – (Continued)**

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



# 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  
Carroll County  
2200 Scio Rd. SW  
Carrollton, Ohio 44615

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Union Township, Carroll County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2017 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***

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-003 to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***Township'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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

November 3, 2017



**UNION TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

**1. Ohio Rev. Code § 5705.41 (B) - Expenditures Exceeding Appropriations**

<i>Finding Number</i>	2016-001
-----------------------	----------

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code § 5705.41(B) prohibits a subdivision from expending money unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Township may not exceed appropriations at the legal level for all funds.

The following funds had disbursements in excess of appropriations at December 31, 2016:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$126,947	\$66,534	\$(60,413)
MVL Fund	8,000	0	(8,000)
Gas Tax Fund	98,862	0	(98,862)
Road and Bridge Fund	6,164	0	(6,164)
Fire Levy Fund	9,997	0	(9,997)
Road Levy Fund	37,915	0	(37,915)

The Township should verify all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements. This may help ensure funds are not overspent and deficit fund balances do not occur.

**2. Ohio Rev. Code § 5705.38(A) - Annual Appropriation Measure**

<i>Finding Number</i>	2016-002
-----------------------	----------

NONCOMPLIANCE

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1<sup>st</sup>.

For fiscal year 2016, the Township did not approve a permanent appropriations measure. Not approving a budget can lead to disbursements being made in excess of a funds balance and creating a fund deficit.

The Township should approve appropriations by the due dates. If the township elects, temporary appropriations should be passed on or about the first day of the fiscal year and the permanent (full year) appropriations should be passed no later than April 1st as required by Ohio Revised Code. Adopting appropriations may help ensure disbursements are legal and do not exceed available funds.

**3. Appropriation Posting to the Accounting System**

<i>Finding Number</i>	2016-003
-----------------------	----------

MATERIAL WEAKNESS

The Township uses the Uniform Accounting Network (UAN) which integrates budgeted revenues and expenditures at the legal level of control. The purpose of integrating budgetary data is to allow management to easily compare budgeted figures to actual figures. Budgeted figures recorded in the accounting system should agree to amounts adopted by the Township Trustees.

There were multiple discrepancies between appropriations approved by the Trustees and amounts recorded in UAN. In addition, the amounts recorded in the UAN system were reflected in the notes to the financial statements. The notes to the financial statements were adjusted to reflect the approved appropriations. A breakdown of variances of approved amounts vs. amounts posted in UAN is shown below:

2015:

<u>Fund</u>	<u>Trustee Approved</u>	<u>UAN</u>	<u>Variance</u>
General	\$129,765	\$135,778	\$(6,013)
Gas Tax	106,776	111,831	(5,055)
Road Levy	66,500	73,500	(7,000)

2016:

<u>Fund</u>	<u>Trustee Approved</u>	<u>UAN</u>	<u>Variance</u>
General	\$66,534	\$127,486	\$(60,952)
MVL Tax	0	8,000	(8,000)
Gas Tax	0	108,081	(108,081)
Road and Bridge	0	7,000	(7,000)
Fire Levy	0	10,550	(10,550)
Road Levy	0	54,500	(54,500)

The Township lacked procedures to ensure the appropriations approved by the Trustees were posted to the UAN system.

The Township should ensure the accounting system is updated to match appropriations and any amendments approved by Trustees.

**Official's Response:**

The Township agrees with the State Auditor's Office on the Noncompliance and Material Weakness findings. The Trustees, along with a new Fiscal Officer, have agreed that the coming year's appropriations will be voted upon in the public reorganizational meeting, which takes place at the end of December of the preceding year from when the appropriations will take place. In turn, this will be reflected in the minutes, which will include the fund and amount appropriated into that fund. The Fiscal Officer will ensure that the voted upon appropriations match the appropriations in UAN.

# UNION TOWNSHIP TRUSTEES OF CARROLL COUNTY

Robert Folk: 330-627-5938  
 T. David Frew: 330-627-4723  
 Robert M<sup>c</sup>Cort: 330-627-5280  
 Twp Hall: 330-627-5076



Wes Frew, Fiscal Officer  
 2200 Scio Rd. SW  
 Carrollton, Ohio 44615  
 234-521-3909

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Revised Code 5705.41 (B)	Not Corrected	The Trustees were under the understanding that the former Fiscal Officer had corrected this error in subsequent fiscal years, which did not happen. A new Fiscal Officer took office April 1, 2016. The new Fiscal Officer has corrected this finding by placing the motion in the minutes approving the fiscal year 2017 appropriations.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

UNION TOWNSHIP

CARROLL 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  
NOVEMBER 28, 2017