



OHIO AUDITOR OF STATE
KEITH FABER



**UNION TOWNSHIP
PIKE COUNTY
DECEMBER 31, 2018 AND 2017**

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 For Year Ended December 31, 2018 | 3 |
| Notes to the Financial Statements For Year Ended December 31, 2018 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For Year Ended December 31, 2017 | 11 |
| Notes to the Financial Statements For Year Ended December 31, 2017 | 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) | 27 |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

Union Township
Pike County
PO Box 72
Piketon, Ohio 45661

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Union Township, Pike County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Union Township, Pike County as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 10 to the 2018 financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

October 21, 2020

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

| | General | Special Revenue | Totals (Memorandum Only) |
|--|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$20,177 | \$25,007 | \$45,184 |
| Intergovernmental | 24,799 | 97,359 | 122,158 |
| Earnings on Investments | 91 | 164 | 255 |
| Miscellaneous | 890 | 0 | 890 |
| <i>Total Cash Receipts</i> | <u>45,957</u> | <u>122,530</u> | <u>168,487</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 25,698 | 27,584 | 53,282 |
| Public Safety | 0 | 14,208 | 14,208 |
| Public Works | 0 | 29,617 | 29,617 |
| Capital Outlay | 4,700 | 48,505 | 53,205 |
| <i>Total Cash Disbursements</i> | <u>30,398</u> | <u>119,914</u> | <u>150,312</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>15,559</u> | <u>2,616</u> | <u>18,175</u> |
| <i>Fund Cash Balances, January 1</i> | <u>46,251</u> | <u>156,566</u> | <u>202,817</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 159,182 | 159,182 |
| Assigned | 8,464 | 0 | 8,464 |
| Unassigned (Deficit) | 53,346 | 0 | 53,346 |
| <i>Fund Cash Balances, December 31</i> | <u>\$61,810</u> | <u>\$159,182</u> | <u>\$220,992</u> |

See accompanying notes to the basic financial statements

This page intentionally left blank.

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Pike 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 contracts with the Beaver Village and Stockdale Fire Departments to provide fire services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in OTARMA, Ohio Township Association Risk Management Authority, which is an insurance risk sharing pool available to Ohio Townships. See Note 6.

Deposits & Investments

The Township deposits all available funds in an interest earnings checking account at a local commercial bank. All deposits are valued at cost.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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 or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas 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.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

Cemetery Fund This fund receives property tax money to provide for maintenance of the Township cemeteries.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Fund Balance

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

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

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

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

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

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

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

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

Note 3 – Equity in Pooled Cash

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

2018
Demand Deposits \$220,992

Note 4 – Budgetary Activity

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

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

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$32,603 | \$45,957 | \$13,354 |
| Special Revenue | 205,985 | 122,530 | (\$83,455) |
| Total | \$238,588 | \$168,487 | (\$70,101) |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$58,943 | \$30,398 | \$28,545 |
| Special Revenue | 255,530 | 119,914 | \$135,616 |
| Total | \$314,473 | \$150,312 | \$164,161 |

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 6 – Risk Management

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

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

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

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

| | <u>2018</u> |
|-----------------------|--------------|
| Cash and investments | \$33,097,416 |
| Actuarial liabilities | \$ 7,874,610 |

Note 7 – Ohio Public Employees Retirement System

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

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

Note 8 – Post Employment 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Related Party Transactions

Township Fiscal Officer relative is contracted by the Township for mowing. This individual was paid \$960 during 2018. A Township Trustee relative is contracted by the Township for janitorial services. This individual was paid \$1,900 during 2018. A Township Trustee relative is contracted by the Township for labor. This individual \$429 during 2018. Additionally, a Township Trustee relative is a part-time employee of the Township.

Note 10 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing ensuing emergency measures may impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

This page intentionally left blank.

Union Township
Pike County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

| | General | Special Revenue | Totals (Memorandum Only) |
|--|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$19,856 | \$26,275 | \$46,131 |
| Intergovernmental | 30,868 | 109,416 | 140,284 |
| Earnings on Investments | 31 | 63 | 94 |
| Miscellaneous | 7,500 | 0 | 7,500 |
| <i>Total Cash Receipts</i> | <u>58,255</u> | <u>135,754</u> | <u>194,009</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 36,353 | 23,845 | 60,198 |
| Public Safety | | 14,548 | 14,548 |
| Public Works | | 15,242 | 15,242 |
| Capital Outlay | 1,750 | 47,712 | 49,462 |
| <i>Total Cash Disbursements</i> | <u>38,103</u> | <u>101,347</u> | <u>139,450</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>20,152</u> | <u>34,407</u> | <u>54,559</u> |
| <i>Fund Cash Balances, January 1</i> | <u>26,099</u> | <u>122,159</u> | <u>148,258</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 156,566 | 156,566 |
| Assigned | 3,299 | 0 | 3,299 |
| Unassigned (Deficit) | 42,952 | 0 | 42,952 |
| <i>Fund Cash Balances, December 31</i> | <u>\$46,251</u> | <u>\$156,566</u> | <u>\$202,817</u> |

See accompanying notes to the basic financial statements

This page intentionally left blank.

Union Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Pike 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 contracts with the Beaver Village and Stockdale Fire Departments to provide fire services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in OTARMA, Ohio Township Association Risk Management Authority, which is an insurance risk sharing pool available to Ohio Townships. See Note 6.

Deposits & Investments

The Township deposits all available funds in an interest earnings checking account at a local commercial bank. All deposits are valued at cost.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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 or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas 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.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Cemetery Fund This fund receives property tax money to provide for maintenance of the Township cemeteries.

Union Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Basis of Accounting

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

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

Budgetary Process

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

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

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

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
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

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

Note 3 – Equity in Pooled Cash

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

2017
Demand Deposits \$202,817

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Union Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2017

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$30,049 | \$58,255 | \$28,206 |
| Special Revenue | 212,953 | 135,754 | (\$77,199) |
| Total | <u>\$243,002</u> | <u>\$194,009</u> | <u>(\$48,993)</u> |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$53,668 | \$38,103 | \$15,565 |
| Special Revenue | 268,400 | 101,347 | \$167,053 |
| Total | <u>\$322,068</u> | <u>\$139,450</u> | <u>\$182,618</u> |

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 6 – 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

Union Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017, 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, 2017.

| | 2017 |
|--------------|--------------|
| Assets | \$40,010,732 |
| Liabilities | 8,675,465 |
| Net Position | \$31,335,267 |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

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.

| <u>2017 Contributions to OTARMA</u> |
|--|
| \$3,611 |

Union Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 7 – Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Post Employment 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 9 – Related Party Transactions

A Township Fiscal Officer relative is contracted by the Township for mowing. This individual was paid \$960 during 2017. A Township Trustee relative is contracted by the Township for janitorial services. This individual was paid \$1,900 during 2017. A Township Trustee relative is contracted by the Township for labor. This individual was paid \$567 during 2017. Additionally, a Township Trustee relative is a part-time employee of the Township.

OHIO AUDITOR OF STATE KEITH FABER



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

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

Union Township
Pike County
PO Box 72
Piketon, Ohio 45661

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Union Township, Pike County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated October 21, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 2018-001 through 2018-003 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 2018-003 through 2018-007.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

October 21, 2020

**UNION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 and 2017**

| |
|---|
| 1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2018-001

Material Weakness

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

Due to deficiencies in the Township's financial statement monitoring and review process, the following conditions were noted related to the Township's accounting system and financial statements:

- Assigned Fund Balance was understated and Unassigned Fund Balance was overstated \$8,464 in the General fund in 2018.
- Property Taxes were understated in the amount of \$6,509 in the General fund in 2018.
- Intergovernmental was understated in the amount of \$7,848 in the General fund and \$14,958 in the Gas fund in 2018.
- Assigned Fund Balance was understated and Unassigned Fund Balance was overstated \$3,299 in the General fund in 2017.
- Intergovernmental was understated in the amount of \$8,727 in the General fund in 2017.

The Township corrected the financial statements and accounting records, as appropriate.

The Township made additional errors in classifying receipt and disbursement transaction line items in various funds in the Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$70 to \$5,188 in 2018 and ranging from \$3,201 to \$4,638 in 2017. The Township corrected the financial statements for these errors.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

We recommend that the Township accurately record financial transactions. The Township should also review the Auditor of State Ohio Township Handbook at <http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf> and Auditor of State Bulletin 2011-004.

Officials' Response:

We did not receive a response from the Township.

FINDING NUMBER 2018-002

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees are responsible for reviewing the reconciliations and related support.

- The Township had reconciling factors of \$16,591 in 2017 and \$59,853 in 2018 due to receipts deposited into the bank account but not recorded in the accounting system.
- The Township had \$1,727.64 of outstanding checks included in the reconciliation that were reissued or should have been voided that should not have been included in the outstanding check listing.
- The Township incorrectly posted an IRS payment/deduction causing a reconciling error of \$21 in 2017.

The Township corrected the accounting system for these errors.

Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare accurate monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board of Trustees should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

We did not receive a response from the Township.

FINDING NUMBER 2018-003

Noncompliance /Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

**FINDING NUMBER 2018-003
(Continued)**

If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Revised Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Ohio Rev. Codes § 505.24 and 507.09 also establish trustee and fiscal officer salaries based upon the annual budget of the township.

The Township paid 100% of the Trustee salaries from the Gas Tax fund in 2017 and 2018. Township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

The Board of Trustees did not pass a resolution to be paid on a salary basis in equal monthly installments for 2017 or 2018. However, payroll certifications were prepared showing salary to be charged 10% to the General Fund and 90% to the Gasoline Tax Fund.

These errors resulted in misstatements to the financial statements. Management has made the following adjustments for wage and employer benefits to the accompanying financial statements and the accounting records:

- In 2017, the Township charged Trustee compensation in the amount of \$2,589 to the Gasoline Tax Fund that should have been charged to the General Fund.
- In 2018, the Township charged Trustee compensation in the amount of \$2,772 to the Gasoline Tax Fund that should have been charged to the General Fund.

Additionally, The Fiscal Officer and Trustees were paid at the 2017 rate for the first two pays of fiscal year 2018, causing each elected official to be underpaid the following amounts:

| Elected Official | Amount Underpaid |
|-------------------|------------------|
| Jessica Dickerson | \$111.52 |
| Carla Salisbury | \$145.00 |
| John Moore | \$74.34 |
| William Tomlison | \$145.00 |

The Township should draft, approve, and implement policies and procedures to help ensure compensation and certifications are made in accordance with Ohio Rev. Code § 505.24.

Officials' Response:

We did not receive a response from the Township.

FINDING NUMBER 2018-004

Noncompliance

Ohio Admin. Code § 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Township's staff did not allow for an adequate segregation of duties; the Township Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Township Board of Trustees monitor financial activity closely.

Due to deficiencies in the Township's monitoring and review process, the following conditions were noted:

- There was no evidence of bank reconciliations being reviewed and approved by the Board of Trustees.
- There was no evidence of the Board of Trustees monitoring receipts received by the Township.
- There was no evidence of the Board of Trustees monitoring nonpayroll disbursement classifications.
- The Board of Trustees did not review and approve final payroll reports, which would agree hours paid to time sheets and determine if employees were paid from appropriate funds.
- Budget vs actual financial reports were not monitored by the Board of Trustees.

The Fiscal Officer should maintain a record of budget and actual information in a format easily reviewable by the Board of Trustees. The Board of Trustees should review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This should be documented in the minute record and/or initialed and dated as reviewed. The Board of Trustees should make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are fund balances sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

Officials' Response:

We did not receive a response from the Township.

FINDING NUMBER 2018-005

Noncompliance

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

FINDING NUMBER 2018-005
(Continued)

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Township did not remit federal income and Medicare taxes for any employees or officials during the audit period. \$4,748 was withheld and not remitted for 2018 and \$4,814 was withheld and not remitted for 2017.

The Township should remit the withholdings of federal income and Medicare taxes from all applicable officials and employees' compensation to the Internal Revenue Service in a timely manner.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

We did not receive a response from the Township.

FINDING NUMBER 2018-006

Noncompliance

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients. The Fiscal Officer appears to have withheld the required state payroll taxes for both 2018 and 2017; however, there was no evidence they paid the taxes in 2018 and the 2017 taxes were not paid until 2018. There also was no evidence the Township submitted the required annual reports as required by the State of Ohio. Failure to file and pay the required tax could result in penalties and interest levied against the Township.

The Fiscal Officer should file the required reports when completing the last payroll of the year to avoid interest and penalties.

This matter will be referred to the Ohio Department of Taxation.

Officials' Response:

We did not receive a response from the Township.

FINDING NUMBER 2018-007

Noncompliance

Ohio Rev. Code § 145.47(B) states that "The head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter".

The payment for OPERS withheld was remitted late by the Fiscal Officer for three instances in 2017 and six in 2018. The Fiscal Officer did not maintain OPERS withholding remittances for fiscal year 2017 and 2018. In comparing the total amount withheld along with the employer portion to the total amount remitted to OPERS, small variances were noted. These variances were most likely late fees due to the untimely payments - \$19.30 in 2017 and \$45.62 in 2018.

The Township could incur penalties and interest due to the payments not being made for the required amounts.

The Fiscal Officer should withhold the correct amounts from payroll, and submit the required reports and contribution/withholding remittances in a timely manner to ensure compliance with applicable laws and regulations and to avoid interest and penalties.

Officials' Response:

We did not receive a response from the Township.



UNION TOWNSHIP

17 ADAMS ROAD, BEAVER – OH 45613

UNIONTOWNSHIPPIKECO@GMAIL.COM

MAIL TO: PO BOX 72, PIKETON – OH 45661

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 and 2017

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|------------------------|---------------|---------------------------------------|
| 2016-001 | Financial Reporting | Not Corrected | Reissued as 2018-001 |
| 2016-002 | Voucher support | Not Corrected | Reissued as Management Letter comment |
| 2016-003 | Federal Withholdings | Not Corrected | Reissued as 2018-005 |
| 2016-004 | Hinkle Filing | Not Corrected | Reissued as Management Letter Comment |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



UNION TOWNSHIP

PIKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/8/2020

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

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