



Dave Yost • Auditor of State



**UNION TOWNSHIP  
WARREN COUNTY**

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# Dave Yost • Auditor of State

Union Township  
Warren County  
285 East Pike Street  
South Lebanon, Ohio 45065

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

August 24, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Union Township  
Warren County  
285 East Pike Street  
South Lebanon, Ohio 45065

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Union Township, Warren County, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

August 24, 2011

**UNION TOWNSHIP  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$91,221	\$552,645	\$0	\$643,866
Charges for Services	0	99,943	0	99,943
Licenses, Permits, and Fees	0	40,174	0	40,174
Intergovernmental	133,063	236,871	194,608	564,542
Special Assessments	0	20,386	0	20,386
Earnings on Investments	2,730	363	0	3,093
Miscellaneous	8,766	31,846	0	40,612
	<u>235,780</u>	<u>982,228</u>	<u>194,608</u>	<u>1,412,616</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	164,921	105,898	0	270,819
Public Safety	0	620,838	0	620,838
Public Works	3,525	149,027	0	152,552
Health	4,373	74,673	0	79,046
Capital Outlay	0	2,260	194,608	196,868
Debt Service:				
Redemption of Principal	0	42,711	0	42,711
Interest and Other Fiscal Charges	0	5,049	0	5,049
	<u>172,819</u>	<u>1,000,456</u>	<u>194,608</u>	<u>1,367,883</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>62,961</u>	<u>(18,228)</u>	<u>0</u>	<u>44,733</u>
<b>Other Financing Receipts:</b>				
Sale of Bonds	0	68,000	0	68,000
Sale of Fixed Assets	0	649	0	649
	<u>0</u>	<u>68,649</u>	<u>0</u>	<u>68,649</u>
<b>Total Other Financing Receipts</b>				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	62,961	50,421	0	113,382
Fund Cash Balances, January 1	<u>128,488</u>	<u>807,518</u>	<u>0</u>	<u>936,006</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$191,449</u></b>	<b><u>\$857,939</u></b>	<b><u>\$0</u></b>	<b><u>\$1,049,388</u></b>
Reserve for Encumbrances, December 31	<u>\$3,460</u>	<u>\$4,411</u>	<u>\$0</u>	<u>\$7,871</u>

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

**UNION TOWNSHIP  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$98,855	\$563,390	\$0	\$662,245
Charges for Services	0	107,017	0	107,017
Licenses, Permits, and Fees	1,214	40,050	0	41,264
Intergovernmental	80,010	246,967	12,775	339,752
Special Assessments	0	21,378	0	21,378
Earnings on Investments	2,494	478	0	2,972
Miscellaneous	5,820	43,588	0	49,408
	<u>188,393</u>	<u>1,022,868</u>	<u>12,775</u>	<u>1,224,036</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	167,078	115,243	0	282,321
Public Safety	2,267	575,604	0	577,871
Public Works	54,843	137,337	12,775	204,955
Health	0	63,133	0	63,133
Debt Service:				
Redemption of Principal	0	34,237	0	34,237
Interest and Other Fiscal Charges	0	6,171	0	6,171
	<u>224,188</u>	<u>931,725</u>	<u>12,775</u>	<u>1,168,688</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(35,795)</u>	<u>91,143</u>	<u>0</u>	<u>55,348</u>
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets	0	7,814	0	7,814
Other Financing Sources	12,751	0	0	12,751
	<u>12,751</u>	<u>7,814</u>	<u>0</u>	<u>20,565</u>
<b>Total Other Financing Receipts</b>				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(23,044)	98,957	0	75,913
Fund Cash Balances, January 1	<u>151,532</u>	<u>708,561</u>	<u>0</u>	<u>860,093</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$128,488</u></b>	<b><u>\$807,518</u></b>	<b><u>\$0</u></b>	<b><u>\$936,006</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$6,091</u>	<u>\$0</u>	<u>\$6,091</u>

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

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Warren County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance as well as fire protection and emergency medical services.

The Township participates in the Ohio Plan public entity risk pool. The Ohio Plan provides property, liability, and other coverage to its members. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The Township's funds were deposited in an interest bearing checking account during the audit period.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Special Levy – Fire/EMS Fund - This fund receives the proceeds from a property tax levy for providing fire protection and emergency medical services to Township residents.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Public Works Commission Projects Fund - The Township received a loan from the State of Ohio to make improvements to Cox-Smith Rd.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. 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.

**2. Equity in Pooled 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 and investments at December 31 was as follows:

	2010	2009
Demand deposits	\$1,049,388	\$936,006

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$168,939	\$235,780	\$66,841
Special Revenue	1,534,187	1,050,877	(483,310)
Capital Projects	213,900	194,608	(19,292)
Total	\$1,917,026	\$1,481,265	(\$435,761)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$297,427	\$176,279	\$121,148
Special Revenue	2,341,705	1,004,867	1,336,838
Capital Projects	213,900	194,608	19,292
Total	\$2,853,032	\$1,375,754	\$1,477,278

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$198,203	\$201,144	\$2,941
Special Revenue	1,721,298	1,030,682	(690,616)
Capital Projects	176,500	12,775	(163,725)
Total	\$2,096,001	\$1,244,601	(\$851,400)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$345,969	\$224,188	\$121,781
Special Revenue	2,419,673	937,816	1,481,857
Capital Projects	176,500	12,775	163,725
Total	\$2,942,142	\$1,174,779	\$1,767,363

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works Commission fund by \$32,208 for the year ended December 31, 2010.

Also contrary to Ohio law, at December 31, 2009 appropriation authority exceeded actual resources in the Fire/EMS levy fund by \$518,992, in the Public Works Commission fund by \$125,000, and in the Miscellaneous Capital Projects fund by \$38,725. At December 31, 2010 appropriation authority exceeded actual resources in the EMS levy fund by \$131,422 and in the Miscellaneous Capital Projects fund by \$51,500.

**4. Property Tax**

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

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Acquisition GO Bonds	\$105,000	3.74%
Equipment Acquisition GO Bonds	\$68,000	2.75%
OPWC Loan - Bunnell Rd.	21,185	0.00%
Total	<u>\$194,185</u>	

The Township issued general obligation bonds in 2010 to finance the purchase of new heart monitoring equipment for use by the Fire/EMS department. The Township's taxing authority collateralized the bonds.

The Township issued general obligation bonds in 2003 to finance the purchase of a new fire truck. The Township's taxing authority collateralized the bonds.

The Township received an Ohio Public Works Commission (OPWC) loan in 2003 to complete the Bunnell Road Improvement Project.

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

Year ending December 31:	Fire Truck GO Bonds	Equipment GO Bonds	OPWC Loan
2011	\$38,927	\$14,770	\$8,474
2012	37,618	14,715	8,474
2013	36,309	14,752	4,237
2014	0	14,778	0
2015	0	14,693	0
Total	<u>\$112,854</u>	<u>\$73,708</u>	<u>\$21,185</u>

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2010 and 2009, 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, 2010.

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Pool Membership**

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**UNION TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Pool Membership (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 and include amounts for both OPRRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	<u>\$12,036,541</u>	<u>\$1,355,131</u>	<u>\$11,176,186</u>	<u>\$1,358,802</u>
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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# Dave Yost • Auditor of State

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

Union Township  
Warren County  
285 East Pike Street  
South Lebanon, Ohio 45065

To the Board of Trustees:

We have audited the financial statements of Union Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 24, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 2010-02 through 2010-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 24, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

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

August 24, 2011

**UNION TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2010-01**

**Material Weakness**

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding certain objectives, including the reliability of financial reporting.

The Township lacks management oversight in the posting of receipts and expenditures. This lack of oversight resulted in the following conditions:

- Intergovernmental receipts including CAT Tangible Personal Property Reimbursement, Homestead & Rollback, and Public Utilities Deregulation Reimbursement were posted to Taxes.
- FEMA grant receipts and disbursements were posted twice.
- Ohio Public Works Commission funds sent directly to the vendor were not recorded by the Township.
- Loeb foundation grant funds were not recorded by the Township. Loeb foundation assets are held by Lebanon Citizens National Bank and the Township's grant award was applied directly to the amount due on the Township's General Obligation Bonds with Lebanon Citizens National Bank . The debt payment was also not recorded by the Township.
- One Gas Tax receipt was posted to the Road & Bridge fund instead of the Gas Tax fund.
- Debt payments were posted to Public Works and Public Safety expenditures instead of Principal and Interest.

A summary of audit adjustments posted to the financial statements to correct the above classifications follows:

	<b>2010</b>			<b>2009</b>	
	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Project</b>	<b>General Fund</b>	<b>Special Revenue</b>
<b>Revenues:</b>					
Property & Other Local Taxes	(\$21,787)	(\$130,781)	\$ -	(\$23,453)	(\$134,714)
Miscellaneous Revenue	-	11,000	-	-	(12,775)
Intergovernmental	21,787	93,381	194,608	23,453	134,714
<b>Expenditures:</b>					
Public Works	-	(45,874)	-	-	(11,691)
Public Safety	-	(24,049)	-	-	(5,321)
Principal	-	38,474	-	-	(1,934)
Interest	-	5,049	-	-	6,171
Capital Outlay	-	-	194,608	-	-

The lack of proper management oversight resulted in material misstatement relating to financial data. We recommend that the Township develop review procedures over the recording and reporting of the

**FINDING NUMBER 2010-01  
(Continued)**

Township's activity. To improve record keeping and accountability we recommend that all receipts and expenditures be accurately posted. For guidance the Township should utilize the Ohio Township Handbook.

**Official's Response:**

We did not receive a response from officials for this finding.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1)**, provides that a subdivision or taxing unit shall not make any contract or ordering involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than three thousand dollars \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2010-02  
 (Continued)**

The Township did not obtain the Fiscal Officer's prior certification for 13% of transactions tested in 2010 and 10% of transactions tested in 2009. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

We did not receive a response from officials for this finding.

**FINDING NUMBER 2010-03**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Township did not request reduced amended certificates as required during the audit period. The amount of the deficiency reduced available resources below the level of current appropriations as follows:

<b>Year - Fund</b>	<b>Estimated Resources</b>	<b>Actual (Available) Resources</b>	<b>Appropriations</b>	<b>Variance (Appropriations in excess of Available Resources)</b>
2009 - Fire/EMS levy	\$1,266,740	\$750,667	\$1,269,659	(\$518,992)
2009 - Misc Capital Projects	51,500	12,775	51,500	(38,725)
2009 - Public Works Projects	125,000	-	125,000	(125,000)
2010 - EMS levy	465,511	334,069	465,511	(131,442)
2010 - Misc Capital Projects	51,500	-	51,500	(51,500)

**FINDING NUMBER 2010-03  
(Continued)**

Allowing estimated receipts to exceed actual receipts resulted in appropriations in excess of available resources, and could result in negative fund balances. The fiscal officer should have requested an amended certificate of estimated resources, which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations. The management of the Township should monitor estimated receipts to actual receipts and make changes as necessary.

**Official's Response:**

We did not receive a response from officials for this finding.

**FINDING NUMBER 2010-04**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations at December 31, 2010 in the following funds:

<b>Fund</b>	<b>Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>
Public Works Commission Projects	\$194,608	\$162,400	(\$32,208)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Township limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until the Board has passed the necessary changes to the appropriation measure.

**Official's Response:**

We did not receive a response from officials for this finding.

**UNION TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	ORC 5705.41(D)-not properly encumbering	No	Repeated as Finding 2010-02
2008-002	Significant Deficiency-not properly posting receipts	No	Repeated as Finding 2010-01

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# Dave Yost • Auditor of State

UNION TOWNSHIP

WARREN 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  
SEPTEMBER 13, 2011