



Dave Yost • Auditor of State

**UNION TOWNSHIP
CLERMONT COUNTY**

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Dave Yost • Auditor of State

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

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.

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Dave Yost
Auditor of State

May 12, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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. 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, 2008 and 2007 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, 2008 and 2007, 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, Clermont County, as of December 31, 2008 and 2007, 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 May 12, 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.

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

May 12, 2011

**UNION TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$1,176,459	\$12,060,012	\$0	\$0	\$13,236,471
Charges for Services	0	498,722	0	0	498,722
Licenses, Permits, and Fees	472,473	182,868	0	0	655,341
Fines and Forfeitures	112,359	9,204	0	0	121,563
Intergovernmental	977,864	3,108,577	0	0	4,086,441
Payment in lieu of taxes	0	2,232,784	0	0	2,232,784
Special Assessments	0	42,056	0	0	42,056
Earnings on Investments	243,562	26,178	0	237,832	507,572
Other	564,360	631,766	0	0	1,196,126
Total Cash Receipts	<u>3,547,077</u>	<u>18,792,167</u>	<u>0</u>	<u>237,832</u>	<u>22,577,076</u>
Cash Disbursements:					
Current:					
General Government	3,379,469	8,589,590	0	0	11,969,059
Public Safety	0	7,319,374	0	0	7,319,374
Public Works	0	2,095,009	0	0	2,095,009
Health	562,464	188,864	0	0	751,328
Conservation - Recreation	115,620	0	0	0	115,620
Capital Outlay	276,449	391,195	0	8,593,318	9,260,962
Debt Service:					
Redemption of Principal	0	168,162	33,500,000	0	33,668,162
Interest and Other Fiscal Charges	0	15,345	96,046	1,384,201	1,495,592
Total Cash Disbursements	<u>4,334,002</u>	<u>18,767,539</u>	<u>33,596,046</u>	<u>9,977,519</u>	<u>66,675,106</u>
Total Receipts Over/(Under) Disbursements	<u>(786,925)</u>	<u>24,628</u>	<u>(33,596,046)</u>	<u>(9,739,687)</u>	<u>(44,098,030)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from TIF BANs			33,270,000	16,300	33,286,300
Other Debt Proceeds			326,046		326,046
Other Financing Sources		66,275			66,275
Refund of Prior Years Expenditures	212,048				212,048
Total Other Financing Receipts / (Disbursements)	<u>212,048</u>	<u>66,275</u>	<u>33,596,046</u>	<u>16,300</u>	<u>33,890,669</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(574,877)</u>	<u>90,903</u>	<u>0</u>	<u>(9,723,387)</u>	<u>(10,207,361)</u>
Fund Cash Balances, January 1	<u>2,836,482</u>	<u>8,752,964</u>	<u>36,473</u>	<u>19,059,965</u>	<u>30,685,884</u>
Fund Cash Balances, December 31	<u>\$2,261,605</u>	<u>\$8,843,867</u>	<u>\$36,473</u>	<u>\$9,336,578</u>	<u>\$20,478,523</u>
Reserve for Encumbrances, December 31	<u>\$38,608</u>	<u>\$38,053</u>	<u>\$0</u>	<u>\$3,749</u>	<u>\$80,410</u>

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

**UNION TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$1,149,423	\$12,736,508	\$0	\$0	\$13,885,931
Charges for Services	0	760,088	0	0	760,088
Licenses, Permits, and Fees	471,898	188,135	0	0	660,033
Fines and Forfeitures	111,541	10,963	0	0	122,504
Intergovernmental	1,005,108	1,521,760	0	0	2,526,868
Payment in lieu of taxes	0	1,404,703	0	0	1,404,703
Special Assessments	0	40,652	0	0	40,652
Earnings on Investments	325,459	38,623	0	225,798	589,880
Other	674,007	287,133	0	0	961,140
Total Cash Receipts	<u>3,737,436</u>	<u>16,988,565</u>	<u>0</u>	<u>225,798</u>	<u>20,951,799</u>
Cash Disbursements:					
Current:					
General Government	3,481,729	100,480	0	0	3,582,209
Public Safety	65	13,975,218	0	0	13,975,283
Public Works	0	2,721,251	0	0	2,721,251
Health	625,416	0	0	0	625,416
Conservation - Recreation	132,852	0	0	0	132,852
Capital Outlay	183,397	1,276,535	0	2,681,429	4,141,361
Debt Service:					
Redemption of Principal	0	168,162	0	0	168,162
Interest and Other Fiscal Charges	0	23,068	295,284	642,855	961,207
Total Cash Disbursements	<u>4,423,459</u>	<u>18,264,714</u>	<u>295,284</u>	<u>3,324,284</u>	<u>26,307,741</u>
Total Receipts Over/(Under) Disbursements	<u>(686,023)</u>	<u>(1,276,149)</u>	<u>(295,284)</u>	<u>(3,098,486)</u>	<u>(5,355,942)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from TIF BANs	0	0	0	33,500,000	33,500,000
Other Debt Proceeds	0	0	0	204,350	204,350
Transfers-In	0	0	295,284	0	295,284
Transfers-Out	0	(295,284)	0	0	(295,284)
Other Financing Uses	0	0	0	(8,176)	(8,176)
Refund of Prior Years Receipts	0	88,280	0	0	88,280
Payments to the Refunding Escrow Agent	0	0	0	(15,150,189)	(15,150,189)
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>(207,004)</u>	<u>295,284</u>	<u>18,545,985</u>	<u>18,634,265</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(686,023)</u>	<u>(1,483,153)</u>	<u>0</u>	<u>15,447,499</u>	<u>13,278,323</u>
Fund Cash Balances, January 1	<u>3,522,505</u>	<u>10,236,117</u>	<u>36,473</u>	<u>3,612,466</u>	<u>17,407,561</u>
Fund Cash Balances, December 31	<u>\$2,836,482</u>	<u>\$8,752,964</u>	<u>\$36,473</u>	<u>\$19,059,965</u>	<u>\$30,685,884</u>
Reserve for Encumbrances, December 31	<u>\$5,143</u>	<u>\$35,014</u>	<u>\$0</u>	<u>\$0</u>	<u>\$40,157</u>

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

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 the Union Township, Clermont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Any City to provide fire services and Any Emergency Medical Services, Inc., to provide ambulance services.

The Township participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administrated self-insurance risk management program and other administrative services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 6 to the financial statement describes these assets.

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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund 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

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

Safety Services Levy Fund - This fund receives property tax and intergovernmental monies for the operation of the Township EMS Department.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund - This fund is used to repay the township's debt.

4. 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:

TIF Project Fund – This fund received money from the issuance of Tax Increment Financing Bond Anticipation Notes to pay the cost of various capital improvements to the infrastructure of the Township, including township park improvements, fire station improvements and road improvements.

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.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 2008 and 2007 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.

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:

	2008	2007
Demand deposits	\$8,813,806	\$11,923,051
Certificates of deposit	800,000	800,000
Total deposits	9,613,806	12,723,051
 U.S. Treasury Notes	 10,864,718	 17,962,834
Total investments	10,864,718	17,962,834
Total deposits and investments	\$20,478,524	\$30,685,885

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

Investments: A financial institution's trust department holds the Township's equity securities in book entry form in the Township's name.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,082,700	\$3,759,125	\$676,425
Special Revenue	17,082,080	18,858,442	1,776,362
Debt Service	300,000	33,596,046	33,296,046
Capital Projects	786,300	254,132	(532,168)
Total	\$21,251,080	\$56,467,745	\$35,216,665

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,796,552	\$4,372,610	\$2,423,942
Special Revenue	25,416,484	18,805,592	6,610,892
Debt Service	18,343,576	33,596,046	(15,252,470)
Capital Projects	16,516,210	9,981,268	6,534,942
Total	\$67,072,822	\$66,755,516	\$317,306

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,799,000	\$3,737,436	\$938,436
Special Revenue	14,395,603	17,076,845	2,681,242
Debt Service	1,340,000	295,284	(1,044,716)
Capital Projects	70,000	33,930,148	33,860,148
Total	\$18,604,603	\$55,039,713	\$36,435,110

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,198,878	\$4,428,602	\$2,770,276
Special Revenue	24,235,665	18,595,012	5,640,653
Debt Service	1,424,157	295,284	1,128,873
Capital Projects	3,153,465	18,482,649	(15,329,184)
Total	\$36,012,165	\$41,801,547	(\$5,789,382)

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.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax (Continued)

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.

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Barg Salt Road Improvement (2004)	\$170,000	4.00%
Tax Increment Financing BAN's (2008)	33,270,000	3.00%
Lease Purchase Equipment (2006)	1,243,875	4.08%
Total	<u>\$34,683,875</u>	

The Barg Salt Run Road Improvement Bonds (2004) relate to Township's Road improvement plan for Barg Salt Run Road. The bonds were issued in January 2004 in the amount of \$590,000. The bonds will be repaid in annual installments of \$85,000, including interest, over six years, collateralized solely by the Township's taxing authority.

The Tax Increment Financing Bonds Anticipation Notes (2007) relate to the Township's capital improvements to its infrastructure, including township park improvements, fire station improvements and road improvements. The notes were issued in December 2007 in the amount of \$33,500,000, and part of the proceeds were used to refund and defease other debts as discussed below. The notes were reissued on their maturity date of September 15, 2008. TIF revenues from all incremental property taxes are paid from parcels within the TIF districts as defined by the Township encompassing the project. These incremental taxes on the TIF districts will be collected by the Clermont County Auditor and disbursed to Township for the payment of the notes. As noted in Note 13 the notes were refinanced in 2009 as General Obligation Bond Anticipation Notes.

The equipment capital lease (2006) related to the financing of certain equipment. The lease was entered into in January 2006 in the amount of \$1,563,580. The lease will be repaid in annual installments of \$193,544, including interest, over 10 years.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	2004 Barg Salt Run Imprvmt Bonds	Capital Equipment Lease 2006
2009	\$91,800	\$193,544
2010	88,400	193,544
2011		193,544
2012		193,544
2013		193,544
2014-2018		580,632
2019-2023		
2024-2028		
2029-2033		
Total	\$180,200	\$1,548,352

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2008 was \$13,185,000. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

6. Debt Service Trust Funds

As disclosed in Note 5, the Township defeased the 2002 Civic Center bonds and the 2004 Capital Improvement bonds. At December 31, 2008, the custodian held \$14,358,198 in Township assets to retire these bonds.

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered selfinsurance risk management program and other administrative services to over 550 Ohio governments ("Members"). The Pool covers the following risks:

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>\$5,286,781</u>	<u>\$4,273,553</u>
Member's Equity	<u><u>\$5,184,333</u></u>	<u><u>\$6,862,902</u></u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. Related Party Transactions

The Township Administrator for the period of April 1, 2006 through August 12, 2008 has a son who is the President of Professional Engineering Group, LLC. The Township made payments to the Professional Engineering Group, LLC during this time period.

In 2007, the Township entered into a Joint Economic Development District (JEDD) and an intergovernmental agreement with the Clermont County Transportation District. Carl Walker, the Township Administrator until August 2008, was also a member of the governing board of the Clermont County Transportation District, and per their contract he was the Secretary, a non-voting position with the JEDD.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

10. Contract Postal Unit

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

11. Jointly Governed Organizations

The Township entered into the Joint Economic Development District 1 (JEDD) contract with the City of Milford in March 2007 to create the Ivy Pointe Joint Economic Development District. This contract was entered into pursuant to the authority of Ohio Revised Code 715.72 through 715.81. The contracting parties are creating the JEDD for the purpose of facilitating economic development to create jobs and employment opportunities and to improve the economic welfare of the people in Union Township, the City of Milford, Clermont County, the State of Ohio and in the area of the contracting parties. The Township selects three of the five JEDD board members per review of the JEDD contract.

12. Tax Increment Financing Agreements

In December 2003, the Township adopted resolutions 2003-12 and 2003-13, creating six tax incentive districts. The Township entered into the Tax Increment Financing (TIF) agreements in December 2003 with West Clermont Local School District and Milford Exempted Village School District. The Tax Incentive District's were created pursuant to Ohio Revised Code Section 5709.73(C). The Township declared that the Districts were necessary and appropriate and that certain public improvements relating to the TIF Districts are a public purpose and are to be made to benefit or serve the development of the TIF Districts. These improvements are exempt from real property taxation for thirty (30) years through December 31, 2033. The Township agreed to act as a participant in these agreements, wherein they are required to establish a fund to collect all payments in lieu of taxes. The School Districts waived their right, for any year or portion thereof in which it would have received property tax payments derived from the Exempted Property. However, the Township has agreed to provide the transfer of a developable lot for an elementary school to each School District within one of the tax incentive districts at no cost to the School Districts.

In December 2005, the Township adopted resolutions 2005-20 through 2005-27 and 2005-29, creating nine residential incentive districts. The Township entered into the Tax Increment Financing (TIF) agreements in December 2005 with West Clermont Local School District and Milford Exempted Village School District. The Township declared that the Districts were necessary and appropriate and that certain public infrastructure improvements relating to the Districts are a public purpose and are to be made to benefit or serve the development of the District. These improvements are exempt from real property taxation for thirty (30) years through December 31, 2035. The Township agreed to act as a participant in these agreements, wherein they are required to establish a fund to collect all payments in lieu of taxes and make annual payments to West Clermont Local School District and Milford Exempted Village School District.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

12. Tax Increment Financing Agreements (Continued)

In December 2006, the Township adopted resolutions 2006-33, creating a tax incentive district. The Township entered into the Tax Increment Financing (TIF) agreements in February 2007 with West Clermont Local School District. The Tax Incentive District's were created pursuant to Ohio Revised Code Section 5709.73(B). The Township declared that the Districts were necessary and appropriate and that certain public improvements relating to the Ivy Pointe TIF District are a public purpose and are to be made to benefit or serve the development of the TIF District. These improvements are exempt from real property taxation for thirty (30) years through December 31, 2036. The Township agreed to act as a participant in this agreement, wherein they are required to establish a fund to collect all payments in lieu of taxes and make annual payments to West Clermont Local School District.

In December 2007, the Township issued Tax Increment Revenue Bond Anticipation Notes, Series 2007 for \$33,500,000. The Series 2007 Notes were issued for the purpose of (a) advance refunding the \$6,975,000 of outstanding Civic Center General Obligation Bonds Series 2002; (b) advance refunding the \$7,480,000 of outstanding Capital Improvement General Obligation Bonds Series 2004; (c) paying part of the cost of various capital improvements to the infrastructure of the Township, including township park improvements, fire station improvements and road improvements; (d) funding a debt service reserve fund and paying certain costs related to the issuance of the Series 2007 Notes, together with other permissible costs under the Uniform Public Securities Law of Ohio, including the costs of printing the Series 2007 Notes and/or related materials and other assorted costs and expenses relating to the issuance thereof. TIF revenue is pledged for the Notes obligations.

13. Subsequent Events

The Township refinanced their 2007 Tax Increment Revenue Bond Anticipation Notes in September 2009 as General Obligation Bond Anticipation Notes for a par amount of \$33,270,000. These General Obligation Bond Anticipation Notes were refunded from the issuance of \$33,100,000 in September 2010.

14. Noncompliance

Contrary to Ohio law:

- The former Township Administrator signed purchase orders for services from a related party.
- The Township did not maintain accurate accounting records and financial statements.
- The Township did not maintain separate funds for each TIF and RID district.
- The township did not certify the availability of funds for certain commitments.
- Budgetary expenditures exceeded appropriation authority in the several funds years ended December 31, 2008 and 2007.
- At December 31, 2008 and 2007, several funds had current year appropriations in excess of available resources.

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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
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the financial statements of Union Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated May 12, 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 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2008-002 and 2008-003 described in the accompanying schedule of findings 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, 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 2008-001 through 2008-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 12, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

May 12, 2011

**UNION TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance

Ohio Rev. Code, Section 2921.42(A)(1), states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code, Section 2921.42(A)(4), states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Ohio Rev. Code, Section 102.03(D), states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Carl Douglas Walker's son, Mark Walker, is the President of Professional Engineering Group, LLC, engineering and surveying company. Carl Douglas Walker was a Township Trustee until March 31, 2006, and was then appointed Township Administrator for the period of April 1, 2006 through August 12, 2008. Township procedures for approving payment to vendors include completion by the Township Administrator of a field on the purchase order labeled "approved by." However, the Township has not documented the specific purpose of the "approved by" field on the purchase order. Due to the lack of documentation, there are no clearly defined restrictions on the Administrator's discretionary authority to approve payment by completing the "approved by" field. As Administrator, Carl Douglas Walker completed the "approved by" field on purchase orders during the audit period related to direct payments made to Professional Engineering Group, LLC. The extent of the dollar amounts related to this noncompliance is unknown.

We recommend the Township, with the assistance of its legal counsel, develop a conflict of interest policy, and require its employees and elected officials to sign an annual statement stating he/she has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and disclose affiliations which may represent a potential conflict of interest. Designated township management should review these statements to help reduce the likelihood of conflicts of interest or undisclosed related party transactions. We also recommend the Township clearly document the procedures for the approval of purchase orders and related payments, specifically defining the responsibility and authority of indicated by completion of various fields on the purchase orders and vouchers during the contracting and payment process.

This matter was referred to the Ohio Ethics Commission in the prior year audit and is currently under investigation.

Officials' Response:

A conflict of interest policy was adopted on November 13, 2008. The purchase order system is now controlled electronically to provide enhanced levels of control, authorization, tracking, and security.

FINDING NUMBER 2008-002

Noncompliance / Material Weakness

Ohio Rev. Code, Section 507.07, requires the Township Clerk to maintain the books of the Township and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02**, states, in part that

- (A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by 117-2-03 of the Administrative Code.

The Township's Cash Basis Annual Financial Report filed with the Auditor of State and presented for audit for the years ending December 31, 2008 and 2007 had significant misclassifications. These misclassifications included: tax revenue, intergovernmental revenue, cable franchise fees, and note proceeds and defeasance posted to the wrong line items; real estate tax revenue and intergovernmental revenue posted to the wrong funds; and all transfer activity recorded as miscellaneous revenue and commingled within disbursement line items. Due to these significant misclassifications the Auditor of State gave the Township an opportunity to review the transactions in the general ledgers and make the necessary reclassifications and corrections to the financial statements. The Township contracted with Local Government Services (LGS) to perform this review and make corrections to the annual report. This resulted in adjustments/changes to the TIF Special Revenue Fund, various Capital Project funds, and Debt Service fund. The following is a summary of the adjustments made to the Townships general ledger and annual reports for 2007 and 2008:

2007 TIF Special Revenue Fund – Receipts were reduced in total by \$508,179; disbursements were reduced in total by \$700,000; other financing receipts/disbursements were reduced in total by \$191,821. These corrections had no effect on year end fund balance.

2007 various Capital Project funds - Receipts were reduced in total by \$17,925,348; disbursements were reduced in total by \$17,976,028; other financing receipts/disbursements were reduced in total by \$15,200,869. These corrections reduced the year end fund balance by \$15,150,189.

2008 TIF Special Revenue Fund – Receipts were reduced in total by \$104,886; disbursements were reduced in total by \$2,203,686. These corrections increased the year end fund balance by \$2,098,800.

2008 Debt Service Fund – Disbursements were increased in total by \$33,596,046; other financing receipts/disbursements were increased in total by \$33,596,046. These corrections had no effect on the year end fund balance.

2008 various Capital Project funds - Disbursement reclassifications totaling \$9,429,418 were required between general government and capital outlay and interest and fiscal charges. These corrections had no effect on ending fund balance.

Upon review of the Township's corrected financial statements, we determined that the Township had the following additional posting errors which resulted in audit adjustments and reclassifications to the financial statements:

FINDING NUMBER 2008-002
(Continued)

- 1) The Township posted House Bill 66 Personal Property Tax Loss Reimbursement to Taxes instead of Intergovernmental for the General Fund, Road and Bridge Fund, Police Fund, Fire Fund, and Safety Services Levy Fund totaling \$25,456, \$38,185, \$264,111, \$225,926 and \$127,282 for fiscal year 2007 respectively, and \$41,936, \$62,903, \$435,082, \$372,179 and \$209,678 for fiscal year 2008 respectively.
- 2) The Township posted Undivided General Real Estate to Intergovernmental instead of Taxes for the Police Fund and the Fire Fund totaling \$79,648 and \$68,132 for fiscal year 2007 respectively, and \$39,824 and \$34,066 for fiscal year 2008 respectively.
- 3) The Township posted Tax Increment Financing to Taxes instead of Payments in Lieu of Taxes for the TIF Fund and the RID Fund totaling \$1,386,553 and \$9,300 respectively for fiscal year 2007, and \$2,232,784 and \$31,572 respectively for fiscal year 2008.
- 4) The Township posted Income Tax Collection from the City of Milford to Taxes instead of Intergovernmental in the JEDD Fund (as instructed by AOS Bulletin 2009-004) totaling \$93,937 in fiscal year 2007 and \$307,108 in fiscal year 2008.
- 5) In 2007, the Township posted Tax Increment Financing to Special Assessments revenue in the Special Assessments Fund instead of to Payments in Lieu of Taxes in the RID Fund totaling \$8,850.
- 6) In 2007, the Township posted Ohio 629 Funds Roadway Development Grant receipts to Taxes instead of Intergovernmental in the Permissive Motor Vehicle Fund totaling \$349,068.
- 7) In 2008, the Township posted Distribution of Excess Deregulation Funds to Taxes instead of Intergovernmental for the General Fund totaling \$12,780.
- 8) In 2008, the Township posted a Gasoline Tax receipt to Taxes in the Road and Bridge Fund instead of Intergovernmental in the Gasoline Tax Fund totaling \$2,614.
- 9) In 2008, the Township posted a Post Office receipt to the Zoning Fund rather than the General Fund totaling \$853.
- 10) The Township posted debt payments on the 2000 Fire Equipment Note to the Bond Retirement Fund and the Safety Services Levy Fund rather than the Fire District Fund totaling \$92,517 and \$87,813 for fiscal year 2007 and fiscal year 2008 respectively.
- 11) The Township posted the 2006 Equipment Capital Lease debt payment totaling \$193,544 and \$248,456 to Capital Outlay and Other Expense rather than to Principal Retirement and Interest and Fiscal Charges for fiscal year 2007 and fiscal year 2008 respectively.
- 12) In November of 2007 the Huntington Bank Cost of Issuance account was closed and the remaining \$8,176 was transferred to the Huntington Bank Project Account. The revenue was receipted in the Project Fund, but the use of funds was not recorded in the Cost of Issuance Fund. The balance of the account was incorrectly used on the 2007 and 2008 cash reconciliation to offset the unrecorded disbursement.

FINDING NUMBER 2008-002
(Continued)

- 13) On May 10, 2007 the Township posted batch #4092 that comprised of memo receipt to the Debt Service Fund Sale of Fixed Asset Line item totaling \$1,0720,828 with memo expenditures posted to various expense line items of the General Fund, TIF Fund, Safety Service Fund, and Permissive fund in the amounts of \$104,649; \$700,000; \$756,207; and \$159,972 respectively. On December 31, 2007 the Township posted a negative memo receipt to the Debt Service Fund Sale of Fixed Asset Line item totaling (\$1,234,314) with memo receipts posted to various revenue line items of the General Fund, TIF Fund, Safety Service Fund, and Permissive fund in the amounts of \$104,649; \$508,179; \$577,158; and \$44,328 respectively. The entries also resulted in: overstatements of receipts and disbursements; \$92,517 in principal and interest for the 2000 Fire Equipment Notes being provided by the Safety Service fund rather than the Fire District Fund; and transfers to make debt payments that were not approved in a resolution by the Township Trustees.
- 14) At December 31, 2007, the Township understated outstanding encumbrances by \$310,955 in the Capital Projects Fund.
- 15) In 2008, \$212,048 in refund of prior year expenditure was posted to Other Revenue in the General Fund.
- 16) In 2008, the Township posted \$85,000 in principal and \$10,694 in interest for the Permissive Motor Vehicle Fund (PMVL) for the 2004 Barg Salt Road debt to Public Works line item in the PMVL fund in the amount of \$90,347 and \$5,347 to the Debt Service Fund.
- 17) In 2008, the Township posted refunds of prior year expenditures in the amounts of \$19,495; \$335,000; and \$28,815 to the Other Revenue line item of Fire District Fund, TIF Fund, and Safety Service Fund respectively. Also, \$493,021 in refund of prior year expenditures were posted to the Taxes line item of the Permissive Motor Vehicle Fund, and \$16,300 was posted to the Sale of Bonds Line item of the Bond Fund.

As a result of these errors, for certain receipt and disbursement line items in various funds were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to receipt and disbursement line items and funds on the financial statements. We recommend that the township exercise due care when posting entries to the cash journal to prevent errors and assist in properly reflecting the Township's financial activity in the annual report.

Officials' Response:

The posting errors will be corrected and the appropriate adjustments/reclassifications will be made.

FINDING NUMBER 2008-003

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5709.75(A), states that any township that receives service payments in lieu of taxes under section 5709.74 of the Revised Code shall establish a township public improvement tax increment equivalent fund into which those payments shall be deposited. If the board of township trustees has adopted a resolution under division (C) of section 5709.73 of the Revised Code, the township shall establish at least one account in that fund with respect to resolutions adopted under division (B) of that section, and one account with respect to each incentive district created by a resolution adopted under division (C) of that section. If a resolution adopted under division (C) of section 5709.73 of the Revised Code also authorizes the use of service payments within the incentive district, the township shall establish separate accounts for the service payments designated for public infrastructure improvements and for the service payments authorized for the purpose of housing renovations.

Ohio Rev. Code, Section 5709.75 (C)(1)(a), states that a township may distribute money in such an account to any school district in which the exempt property is located in an amount not to exceed the amount of real property taxes that such school district would have received from the improvement if it were not exempt from taxation. The resolution establishing the fund shall set forth the percentage of such maximum amount that will be distributed to any affected school district.

Ohio Rev. Code, Section 5705.09 (F), provides that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Township approved Tax Increment Financing (TIF) Districts in phases as follows:

- TIFs created in 2003: The Township created six TIF districts in 2003, and these districts generated payment in lieu of tax service payment revenue during the audit period of 2008 and 2007.
- TIFs created in 2005: The Township created six TIF districts in 2005. Two of these districts generated payment in lieu of tax service payment revenue during the audit period of 2008 and 2007
- TIF created in 2006: The Township created one TIF districts in 2006 and this district generated payment in lieu of tax service payment revenue during the audit period of 2008 and 2007.

Although the TIF agreements specify specific restrictions on the use of the certain service payments, the Township comingled the tax service payment revenue received during the audit period into one Tax Incremental Financing (TIF) fund. Examples of the restrictions on the service payment revenue follow:

- The Township pledged the TIFs established in 2003 and 2005 as collateral for \$33.5 million in Tax Increment Revenue Bond Anticipation Notes issued in 2007.
- The resolutions establishing each of the TIF Districts in 2005 include the following:

‘Whereas, TIF service payments have been pledged for a designated transportation capacity project approved by the State’s Transportation Review Advisory Council and have been pledged to meet local share match requirements for designated transportation improvement projects that involve federal funds...’ indicating these TIF districts are to provide the local share match for federal funding.

**FINDING NUMBER 2008-003
(Continued)**

- School District compensation is different for each batch of approved TIF Districts. For example, the 2003 TIF Districts established four districts related to West Clermont Local School District and two districts related to Milford Exempted Village School District. Both school districts agreed to other negotiated compensation, including the construction of a new school site for each school district, in exchange for waiving their rights to any portion of the service payment. The 2005 and 2006 TIF districts all relate to West Clermont Local School District and the township has agreed to reimburse the school the taxes they would have collected from the exempted properties.

While The Township does maintain spreadsheets to track service payment revenue, there is no system in place to account for the restrictions on the disbursement of the service payment revenue. Also, in an effort to segregate the pledged service payment and comply with the TIF Revenue Bond Anticipation Notes agreement, 2008 service payments related to the TIF Districts pledged as collateral for the debt, were disbursed by the Township from the comingled TIF Fund to Huntington Bank which deposited the money into multiple Trust Accounts maintained for the different 2003 and 2005 TIF requirements. However, this activity was not accurately recorded on the Township's accounting records and the statements include adjustments to the existing comingled TIF fund to reflect the balances and activity maintained by Huntington Bank during the audit period, see Finding 2008-002 for additional information for these adjustments.

The Township's current practice of comingling TIF service payment revenue is not in compliance with the Ohio Rev. Code Section 5709.75 requirement of separate accounts for each TIF District. In addition, failure to account separately for each TIF District service payments and disbursements renders the Township unable to provide an accurate accounting of each TIF District's service payments and balances to developers, related school district, citizens, and beneficiary of each pledge.

We recommend that the Township establish the necessary funds and accounts for each incentive district created within the public improvement tax increment equivalent. Disbursements related directly to the purpose of the individual TIF should be charged directly to the applicable TIF district fund. The Township Trustees should adopt a resolution detailing a method to allocate disbursements across the multiple TIF funds in the event that a disbursement does not directly relate to an individual TIF district. The Township should review Auditor of State Bulletin 2010-003 for additional guidance on accounting for TIFs.

Segregating these accounting transactions is critical to help assure the Township complies with its contractual TIF requirements, the Township must prioritize establishing these funds and computing the proper fund balances.

Officials' Response:

The Township agrees to segregate the TIFS into separate accounts as required by R.C. 5709.75 and consistent with legal opinions of the Township Law Director and Bond Counsel formalizing the existing practice of expense allocation regarding prior lawful and future expenditures as recommended by the Independent Auditor's report beginning with each TIF certification date

FINDING NUMBER 2008-004

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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 encumbrances, 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 \$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" certifications 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Certificates** – 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.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

In fiscal year 2007 and 2008, eighty percent (80%) and seventy-two percent (72%) of the transactions tested respectively did not have certification prior to the obligation date and none of the three exceptions provided above were utilized.

The Township uses quarterly blanket purchase orders for the Police Department against multiple line items.

**FINDING NUMBER 2008-004
 (Continued)**

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, 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 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 officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. 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 orders to the proper appropriation code to reduce the available appropriation. A blanket purchase order should be charged against no more than one line item.

Officials' Response:

Then and now statements will be used in the future to ensure compliance.

FINDING NUMBER 2008-005

Noncompliance

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. At December 31, 2008, expenditures plus encumbrances exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Amount</u>	<u>Disbursement Amount</u>	<u>Variance</u>
Bond Retirement Fund	\$384,157	\$33,596,046	(\$33,211,889)

At December 31, 2007, expenditures plus encumbrances exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Amount</u>	<u>Disbursement Amount</u>	<u>Variance</u>
Police District Fund	\$4,441,243	\$4,915,213	(\$473,970)
Fire District Fund	\$4,029,923	\$4,777,144	(\$747,221)
TIF Project Fund	\$0	\$229,192	(\$229,192)
Cost of Issuance Fund	\$0	\$134,856	(\$134,856)
TIF Bond Reserve Fund	\$0	\$34,284	(\$34,284)
02/04 Escrow Fund	\$0	\$15,402,888	(\$15,402,888)

**FINDING NUMBER 2008-005
 (Continued)**

Failure to monitor budgetary activity increases the risk of over spending or making unauthorized expenditures. We recommend the Board of Trustees periodically review the budgetary activity of the Township and make amendments as needed to avoid expenditures exceeding appropriations. The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by amending estimated resources and increasing appropriations, if necessary.

Officials' Response:

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

FINDING NUMBER 2008-006

Noncompliance

Ohio Rev. Code, Section 5705.36(A), requires a subdivision to obtain an amended certificate when revenue to be collected 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.

At December 31, 2008, the Township had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in the following funds:

Fund	Actual Resources (i.e. beginning unencumbered fund balance + actual receipts)	Current Year Appropriations	Variance
Road and Bridge Fund	\$1,796,709	\$1,826,267	(\$29,558)
Zoning Fund	\$70,650	\$113,368	(\$42,718)
Safety Services Levy Fund	\$9,789,074	\$10,282,635	(\$493,561)
Bond Retirement Fund	\$589,933	\$718,130	(\$128,197)
TIF Project Fund	\$15,452,059	\$15,798,080	(\$346,021)
Cost of Issuance Fund	\$8,176	\$8,476	(\$300)
TIF Bond Reserve Fund	\$2,743,104	\$2,800,754	(\$57,650)

At December 31, 2007, the Township had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in the following funds:

Fund	Actual Resources (i.e. beginning unencumbered fund balance + actual receipts)	Current Year Appropriations	Variance
Cemetery Fund	\$290,220	\$290,456	(\$236)
Zoning Fund	\$85,576	\$115,375	(\$29,799)
Bond Retirement Fund	\$379,441	\$1,424,157	(\$1,044,716)

**FINDING NUMBER 2008-006
(Continued)**

Failure to monitor budgetary activity could result in overspending and negative fund balances. We recommend that the Township comply with the above Ohio Revised Code Section and obtain an amended certificate when necessary.

Officials' Response:

Amended Certificates will be used when and if necessary to ensure compliance.

**UNION TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006 – 001	Related Party transactions	No	Reissued as finding 2008-001
2006 - 002	Revenue and disbursement misclassifications	No	Reissued as finding 2008-002
2006 – 003	Proper public purpose	Yes	
2006 – 004	Proper public purpose	Yes	
2006 – 005	Employee Reimbursements	No	Partially corrected. Reissued in the management letter
2006 – 006	Contract Postal Unit	Yes	
2006 – 007	Disbursements Unallowable for the Fund	Yes	
2006 – 008	ORC 5705.41(D), Failure to properly encumber funds	No	Reissued as finding 2008-004
2006 – 009	ORC 5705.41(B), Expenditures exceeding appropriations	No	Reissued as finding 2008-005

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Dave Yost • Auditor of State

UNION TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2011**