

Union Township
Scioto County
Regular Audit
For the Years Ended December 31, 2013 and 2012



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Dave Yost • Auditor of State

Board of Trustees
Union Township
7239 Big Spruce Little Bear Creek Road
Otway, Ohio 45657

We have reviewed the *Independent Auditor's Report* of Union Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Union Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 28, 2014

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Union Township
Scioto County
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For the Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

Board of Trustees
Union Township
7239 Big Spruce Little Bear Creek Road
Otway, Ohio 45657

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects of the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Union Township, Scioto County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 20, 2014

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$53,079	\$82,739	\$135,818
Licenses, Permits, and Fees	1,235	11,081	12,316
Charges for Services	0	19,621	19,621
Intergovernmental	47,983	122,995	170,978
Earnings on Investments	604	525	1,129
Miscellaneous	13,494	47,971	61,465
Total Cash Receipts	116,395	284,932	401,327
Cash Disbursements:			
Current:			
General Government	66,836	0	66,836
Public Safety	0	98,668	98,668
Public Works	1,603	89,570	91,173
Health	0	10,505	10,505
Capital Outlay	3,779	8,287	12,066
Debt Service:			
Redemption of Principal	5,155	19,637	24,792
Interest and Other Fiscal Charges	5,751	16,468	22,219
Total Cash Disbursements	83,124	243,135	326,259
Total Cash Receipts Over Cash Disbursements	33,271	41,797	75,068
Other Financing Sources:			
Sale of Capital Assets	0	5,470	5,470
Total Other Financing Sources	0	5,470	5,470
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	33,271	47,267	80,538
Fund Cash Balances, January 1	6,662	167,068	173,730
Fund Cash Balances, December 31:			
Restricted for:			
Fire Operations	\$0	\$44,467	\$44,467
Road and Bridge Maintenance and Construction	0	112,545	112,545
Cemetery	0	23,115	23,115
Emergency Medical Services	0	20,512	20,512
Other	0	16	16
Committed to:			
Road and Bridge Maintenance and Construction	0	13,680	13,680
Unassigned	39,933	0	39,933
Fund Cash Balances, December 31	\$39,933	\$214,335	\$254,268

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

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2012

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$52,344	\$81,543	\$0	\$133,887
Licenses, Permits, and Fees	1,000	7,722	0	8,722
Intergovernmental	23,975	145,041	0	169,016
Earnings on Investments	548	497	0	1,045
Miscellaneous	4,145	11,273	0	15,418
Total Cash Receipts	82,012	246,076	0	328,088
Cash Disbursements:				
Current:				
General Government	71,888	0	0	71,888
Public Safety	0	108,365	0	108,365
Public Works	747	91,417	0	92,164
Health	0	14,308	0	14,308
Capital Outlay	734	20,208	42,583	63,525
Debt Service:				
Redemption of Principal	2,494	22,489	0	24,983
Interest and Other Fiscal Charges	4,832	17,164	0	21,996
Total Cash Disbursements	80,695	273,951	42,583	397,229
Total Cash Receipts Over/(Under) Cash Disbursements	1,317	(27,875)	(42,583)	(69,141)
Other Financing Sources:				
Sale of Bonds	0	0	42,583	42,583
Total Other Financing Sources	0	0	42,583	42,583
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	1,317	(27,875)	0	(26,558)
Fund Cash Balances, January 1, As Restated	5,345	194,943	0	200,288
Fund Cash Balances, December 31:				
Restricted for:				
Fire Operations	\$0	\$31,074	\$0	\$31,074
Road and Bridge Maintenance and Construction	0	108,156	0	108,156
Cemetery	0	16,057	0	16,057
Emergency Medical Services	0	1,360	0	1,360
Other	0	16	0	16
Committed to:				
Road and Bridge Maintenance and Construction	0	10,405	0	10,405
Unassigned	6,662	0	0	6,662
Fund Cash Balances, December 31	\$6,662	\$167,068	\$0	\$173,730

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracted with the Scioto Ambulatory District to provide ambulance services in 2012 and part of 2013. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 8. The Township started providing emergency medical services in 2013.

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

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

Basis of Accounting

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

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

Cash

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

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Capital Projects 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 Projects Fund:

Community Building Fund - This fund received bond proceeds which were used for the construction of a new community building.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

Fund Balances

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Property, Plant, and Equipment

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

Note 2 – Equity in Pooled Cash

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

	2013	2012
Demand Deposits	\$254,268	\$173,730

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,034	\$116,395	\$14,361
Special Revenue	255,000	290,402	35,402
Total	<u>\$357,034</u>	<u>\$406,797</u>	<u>\$49,763</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,277	\$83,124	(\$12,847)
Special Revenue	307,856	243,135	64,721
Total	<u>\$378,133</u>	<u>\$326,259</u>	<u>\$51,784</u>

Budgetary activity for the year ending December 31, 2012 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,602	\$82,012	\$17,410
Special Revenue	95,500	246,076	150,576
Capital Projects	0	42,583	42,583
Total	<u>\$160,102</u>	<u>\$370,671</u>	<u>\$210,569</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,650	\$80,695	(\$12,045)
Special Revenue	310,066	273,953	36,113
Capital Projects	0	42,583	(42,583)
Total	<u>\$378,716</u>	<u>\$397,231</u>	<u>(\$18,515)</u>

Note 4 – Property Taxes

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

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

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
OPWC Loan	\$3,543	0.00%
Fire Station Bonds	406,673	3.88%
Community Building Bonds	142,350	3.88%
Total	\$552,566	

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

In March 2011, the Township authorized the issuance of bonds for the purpose of constructing and equipping a new fire station in the amount of \$450,000. Semi-annual installments of \$16,277 are required to repay these bonds for a period of 20 years. These bonds are secured by the full faith and credit of the Township.

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

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

Year Ending December 31:	OPWC Loan	Fire Station Bonds	Community Building Bonds
2014	\$3,549	\$32,555	\$10,709
2015	0	32,555	10,709
2016	0	32,555	10,709
2017	0	32,555	10,709
2018	0	32,555	10,709
2019-2023	0	162,775	53,546
2024-2028	0	162,775	53,546
2029-2032	0	84,092	37,482
Total	\$3,549	\$572,417	\$198,119

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 6 – Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2013.

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
Net Assets	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township’s share of these unpaid claims collectible in future years is approximately \$11,000.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 7 – Risk Management (Continued)

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

Contributions to OTARMA

<u>2013</u>	<u>2012</u>
\$19,292	\$19,599

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

Note 8 – Jointly Governed Organization

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

Note 9 – Accountability and Compliance

- The Township had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.
- The Township did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Township had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Township did not timely pass appropriations in 2013 or 2012 in accordance with Ohio Revised Code Section 5705.38.

Note 10 - Restatement of Fund Balances

The following restatements of fund balances were necessary to accurately reflect capital outlay activity which occurred prior to 2012 in the Fire Station Capital Project Fund which was erroneously reported in the Special Levy Special Revenue Fund:

	Special Revenue Fund Type	Capital Projects Fund Type
Fund Balances, As Previously Reported at 12/31/11	\$159,590	\$35,353
Restatement	35,353	(35,353)
Fund Balances, As Restated at 12/31/11	\$194,943	\$0

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

Board of Trustees
Union Township
7239 Big Spruce Little Bear Creek Road
Otway, Ohio 45657

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Union Township, Scioto County (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 20, 2014, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-001 through 2013-003 to be material weaknesses.

Union Township
Scioto County

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-004 through 2013-007.

Township's Responses to Findings

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

Purpose of this Report

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 20, 2014

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-1

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified revenues and expenses in both 2012 and 2013, in some instances posted receipts and expenditures to the incorrect funds, and in instances had unrecorded on-behalf transactions. Further, the Township made prior audit adjustments to the UAN system, but later reversed these adjustments which resulted in inaccurate beginning balances. These errors have been corrected in the accompanying financial statements. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Township Response:

The Township chose not to include a response.

Finding Number 2013-2

Material Weakness – Budgetary Information in UAN

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

Township Response:

The Township chose not to include a response.

Finding Number 2013-3

Material Weakness – Maintaining Proper Supporting Documentation

Maintenance of supporting documentation is an integral part of a sound, properly functioning control environment to ensure that a sufficient audit trail is maintained to support assertions of accuracy and to prove proper public purpose. The Township received multiple payments from individuals for grave openings, rent and other receipts but the Township did not maintain supporting documentation of the receipts. The printed UAN receipt has a place for the signature of the payor, which would be adequate, but was not utilized. Also, it was noted that there was one receipt that was from multiple vendors which were unidentified. The Township should implement procedures to ensure that supporting documentation for all receipts are maintained and attached to the receipt. For receipts that have no support, the payor should sign indicating that the amount was paid.

Township Response:

The Township chose not to include a response.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-4

Noncompliance Citation – Ohio Revised Code Section 5705.41 (D)

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exceptions to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Several disbursements tested in 2013 and 2012 had invoice dates preceding the encumbrance date. Failure to certify the availability of funds properly can result in over spending funds and negative cash fund balances. Management failed to properly monitor purchasing needs and encumber funds prior to commitment. The Township should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment.

Township Response:

The Township chose not to include a response.

Finding Number 2013-5

Noncompliance Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states that that total appropriations from each fund shall not exceed the total estimated resources. The Township had appropriations in excess of estimated resources in the Gas Tax fund in 2012. Failure to properly monitoring budgetary variances subjects the Township to the risk of overspending. The Township should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

Township Response:

The Township chose not to include a response.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-6

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in the General Fund and Ambulance Fund in 2013 and in the General Fund, Fire District Fund, Permissive Motor Vehicle License Tax Fund, and Community Building Fund in 2012. The Township also incurred expenditures prior to the passage of appropriations resolutions for each year. Failure to properly monitor budget to actual activity subjects the Township to the risk of unauthorized or improper spending. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized and appropriated amounts.

Township Response:

The Township chose not to include a response.

Finding Number 2013-7

Noncompliance Citation – Timely Passage of Appropriations

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

The Township did not note in the minutes when the appropriation measures were passed. However, for 2012 and 2013 they were filed with the County Auditor's Office on January 24, 2012 and January 28, 2013, respectively.

The Township should implement the appropriate procedures to ensure that appropriations are passed timely, documented in the minute record, and filed with the county auditor on or about the first day of the year.

Township Response:

The Township chose not to include a response.

Union Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2013-1
Finding 2011-2	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2013-2
Finding 2011-3	Noncompliance – ORC 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2013-4
Finding 2011-4	Noncompliance – ORC 5705.36 – Appropriations in Excess of Available Resources	Yes	
Finding 2011-5	Noncompliance – ORC 5705.39 – Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2013-5
Finding 2011-6	Noncompliance – ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2013-6
Finding 2011-7	Noncompliance – ORC 505.24 – Trustee Salaries	Yes	
Finding 2011-8	Noncompliance – ORC 5705.38 – Timely Passage of Appropriations	No	Reissued as Finding 2013-7



Dave Yost • Auditor of State

UNION TOWNSHIP

SCIOTO 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
AUGUST 7, 2014**