



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
MIAMI COUNTY**

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Mary Taylor, CPA
Auditor of State

Union Township
Miami County
P.O. Box E
Laura, Ohio 45337

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 Township 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 25, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Miami County
P.O. Box E
Laura, Ohio 45337

To the Board of Trustees:

We have audited the accompanying financial statements Union Township, Miami County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable 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, Miami County, as of December 31, 2009 and 2008, 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 25, 2010, on our consideration of the Township' 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.



Mary Taylor, CPA
Auditor of State

May 25, 2010

**UNION TOWNSHIP
MIAMI COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$99,044	\$306,609		\$405,653
Licenses, Permits, and Fees	21,910	56,312		78,222
Intergovernmental	121,773	164,545		286,318
Special Assessments		886		886
Earnings on Investments	789	213	\$418	1,420
Miscellaneous	35,481	21,780		57,261
Total Cash Receipts	<u>278,997</u>	<u>550,345</u>	<u>418</u>	<u>829,760</u>
Cash Disbursements:				
Current:				
General Government	249,866	2,940		252,806
Public Safety		312,018		312,018
Public Works		168,449		168,449
Health	33,856	79,215		113,071
Capital Outlay	40,293	13,115		53,408
Total Cash Disbursements	<u>324,015</u>	<u>575,737</u>		<u>899,752</u>
Total Receipts Over/(Under) Disbursements	<u>(45,018)</u>	<u>(25,392)</u>	<u>418</u>	<u>(69,992)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		5,000		5,000
Transfers-Out	(5,000)			(5,000)
Total Other Financing Receipts / (Disbursements)	<u>(5,000)</u>	<u>5,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(50,018)	(20,392)	418	(69,992)
Fund Cash Balances, January 1	<u>84,200</u>	<u>285,397</u>	<u>18,716</u>	<u>388,313</u>
Fund Cash Balances, December 31	<u>\$34,182</u>	<u>\$265,005</u>	<u>\$19,134</u>	<u>\$318,321</u>
Reserve for Encumbrances, December 31	<u>\$1,062</u>	<u>\$9,952</u>	<u>\$0</u>	<u>\$11,014</u>

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

**UNION TOWNSHIP
MIAMI COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$252,742		\$252,742
Licenses, Permits and Fees	57,313		57,313
Total Operating Cash Receipts	<u>310,055</u>		<u>310,055</u>
Operating Cash Disbursements:			
Salaries	14,588		14,588
Employee Fringe Benefits	1,687		1,687
Purchased Services	259,529		259,529
Claims	2,336		2,336
Other		\$249	249
Total Operating Cash Disbursements	<u>278,140</u>	<u>249</u>	<u>278,389</u>
Operating Income/(Loss)	<u>31,915</u>	<u>(249)</u>	<u>31,666</u>
Non-Operating Cash Receipts:			
Earnings on Investments		464	464
Total Non-Operating Cash Receipts		<u>464</u>	<u>464</u>
Non-Operating Cash Disbursements:			
Capital Outlay	1,320		1,320
Total Non-Operating Cash Disbursements	<u>1,320</u>		<u>1,320</u>
Net Receipts Over/(Under) Disbursements	30,595	215	30,810
Fund Cash Balances, January 1	<u>107,236</u>	<u>11,097</u>	<u>118,333</u>
Fund Cash Balances, December 31	<u>\$137,831</u>	<u>\$11,312</u>	<u>\$149,143</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**UNION TOWNSHIP
MIAMI 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>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$102,927	\$303,071		\$405,998
Licenses, Permits, and Fees	27,138	50,977		78,115
Intergovernmental	193,330	150,793		344,123
Special Assessments		506		506
Earnings on Investments	3,809	2,675	\$469	6,953
Miscellaneous	49,327	32,915		82,242
Total Cash Receipts	<u>376,531</u>	<u>540,937</u>	<u>469</u>	<u>917,937</u>
Cash Disbursements:				
Current:				
General Government	242,658			242,658
Public Safety		306,290		306,290
Public Works		194,360		194,360
Health	38,689	73,314		112,003
Capital Outlay	22,647	14,965		37,612
Total Cash Disbursements	<u>303,994</u>	<u>588,929</u>		<u>892,923</u>
Total Receipts Over/(Under) Disbursements	<u>72,537</u>	<u>(47,992)</u>	<u>469</u>	<u>25,014</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		6,000		6,000
Transfers-Out	(6,000)			(6,000)
Total Other Financing Receipts / (Disbursements)	<u>(6,000)</u>	<u>6,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	66,537	(41,992)	469	25,014
Fund Cash Balances, January 1	<u>17,663</u>	<u>327,389</u>	<u>18,247</u>	<u>363,299</u>
Fund Cash Balances, December 31	<u>\$84,200</u>	<u>\$285,397</u>	<u>\$18,716</u>	<u>\$388,313</u>
Reserve for Encumbrances, December 31	<u>\$10,325</u>	<u>\$65,649</u>	<u>\$0</u>	<u>\$75,974</u>

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

**UNION TOWNSHIP
MIAMI COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$242,787		\$242,787
Licenses, Permits, and Fees	52,916		52,916
Total Operating Cash Receipts	<u>295,703</u>		<u>295,703</u>
Operating Cash Disbursements:			
Salaries	12,481		12,481
Employee Fringe Benefits	1,590		1,590
Purchased Services	310,485		310,485
Supplies and Materials	2,051	\$274	2,325
Total Operating Cash Disbursements	<u>326,607</u>	<u>274</u>	<u>326,881</u>
Operating Income/(Loss)	<u>(30,904)</u>	<u>(274)</u>	<u>(31,178)</u>
Non-Operating Cash Receipts:			
Earnings on Investments		331	331
Total Non-Operating Cash Receipts		<u>331</u>	<u>331</u>
Net Receipts Over/(Under) Disbursements	(30,904)	57	(30,847)
Fund Cash Balances, January 1	<u>138,140</u>	<u>11,040</u>	<u>149,180</u>
Fund Cash Balances, December 31	<u>\$107,236</u>	<u>\$11,097</u>	<u>\$118,333</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**UNION TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Union Township, Miami County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three - member board of trustees. The Township provides road maintenance, and cemetery maintenance. The Township contracts with the Laura Fire Company, Ludlow Falls Fire Company and West Milton Fire Company to provide emergency fire protection service and has one seat on the five-member Southwest District Ambulance Board that provides ambulance services through the Union Township Life Squad.

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

B. Accounting Basis

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

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

C. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax – The fund receives license plate taxes for constructing, maintaining, and repairing Township roads and bridges.

**UNION TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Cemetery – This fund receives money from the sale of grave plots and burials to manage the cemetery.

Fire Voted Levy Funds – These funds receive proceeds from property tax levies to provide fire protection services.

Fire District – Inside Millage – This fund receives property taxes to provide fire protection services. This is not voted on.

Permissive Motor Vehicle Tax – This fund receives tax money to pay for maintaining, constructing, and repairing township roads.

Miami County Foundation – This fund utilizes the grant from the Miami County Foundation to improve Unity Cemetery.

FEMA - This fund receives Federal Emergency Management reimbursement money as a result of wind damage in the Township and Cemeteries that are maintained by the Township.

3. Permanent Funds

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Miami Conservancy Fund – This nonexpendable trust fund was established for rehabilitation of cemeteries in case of flooding.

4. Proprietary Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Township had the following significant Enterprise Fund:

Garbage and Waste District Fund – This fund receives fees from township residents to provide trash pickup service.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Private Purpose Trust Funds – These expendable and non-expendable trust funds are for the benefit of specified individuals.

**UNION TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$437,385	\$476,855
Certificates of deposit	30,079	29,790
Total deposits	<u>\$467,464</u>	<u>\$506,645</u>

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

**UNION TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 were as follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 278,997	\$ 278,997	
Special Revenue	555,345	555,345	
Permanent	418	418	
Enterprise	310,055	310,055	
Fiduciary	464	464	
Total	<u>\$1,145,279</u>	<u>\$1,145,279</u>	<u>\$0</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 349,381	\$ 330,077	\$ 19,304
Special Revenue	694,341	585,689	108,652
Permanent			
Enterprise	317,829	279,460	38,369
Fiduciary	354	249	105
Total	<u>\$1,361,905</u>	<u>\$1,195,475</u>	<u>\$166,430</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 376,531	\$376,531	
Special Revenue	546,937	546,937	
Permanent	2	469	\$467
Enterprise	295,703	295,703	
Fiduciary	331	331	
Total	<u>\$1,219,504</u>	<u>\$1,219,971</u>	<u>\$467</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$367,957	\$ 320,319	\$ 47,638
Special Revenue	818,685	654,578	164,107
Permanent			
Enterprise	340,561	326,607	13,954
Fiduciary	274	274	
Total	<u>\$1,527,477</u>	<u>\$1,301,778</u>	<u>\$225,699</u>

**UNION TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees retirement system (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**UNION TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

B. 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, 2008 and 2007 (the latest information available).

	2008	2007
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	\$27,755,922	\$29,852,866

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$10,714.

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	
2007	\$11,719
2008	\$12,458

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

7. NONCOMPLIANCE

Contrary to Ohio law, the Township did not post interest revenue to the private purpose (non-expendable) trust funds for the year ended December 31, 2008 and included the principal of the trust funds as part of the unencumbered balance.



Mary Taylor, CPA

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
Miami County
P.O. Box E
Laura, Ohio 45337

To the Board of Trustees:

We have audited the financial statements of Union Township, Miami County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 25, 2010 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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 25, 2010.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

May 25, 2010

**UNION TOWNSHIP
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance/Material Weakness

Ohio Rev Code Section 5705.131 states a taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund. The principal of the fund, and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund, shall not be considered part of the unencumbered balance or revenue of the subdivision under division **(A) of the section 5705.35** or division of **(A)(1) of section 5705.36 of the Revised Code**. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered an unencumbered balance or revenue of the subdivision under that division.

During 2008, the Township posted interest revenue and general governmental expenditures of \$274 to the General fund that should have been posted to the Fiduciary fund. This resulted in an understatement of revenues by 88% and expenditures by 100% in the fiduciary funds. Also, the principal amounts of non-expendable trust funds were included in the unencumbered balance in violation of the above mention section of code. There was \$2,500 for the Roszell Cemetery Trust and \$10,000 for the Miami Conservancy District included in the unencumbered balance for the private purpose trust and the permanent fund, respectively. Failure to exclude the principal of the nonexpendable trust funds could result in fund being budgeted for expenditures that are restricted.

The adjustments noted above have been reflected in the accompanying combined financial statements presented in this report and on the Township's records. The Township should implement controls over the posting of interest revenue and expenditures and to ensure that financial statement presentation is accurate and only allowable monies are included in the unencumbered balance on the Certificate of the Total Amount from All Sources for Expenditures. In addition, the Trustees should review monthly transaction reports for possible miss-postings.

Client Response:

The interest and expenditures for the Fiduciary Fund are set up to go directly into and out of these funds. The Board reviews the funds monthly through a Fiduciary Fund Report.

**UNION TOWNSHIP
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 5705.131 – posting of interest on nonexpendable trusts	No	Not corrected – Comment will be reissued.
2007-002	ORC 5705.41(C) – Posting of the Fiscal Officers Salary	Yes	
2007-003	Improper classification of Solid Waste Fund	Yes	



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

MIAMI 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
JUNE 24, 2010**