



Dave Yost • Auditor of State

**UNION TOWNSHIP
CLERMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Union Township
Clermont County
4350 Aicholtz Road
Cincinnati, Ohio 45245

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Union Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on 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, 2012 and 2011, or changes in financial position thereof for the year 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, Clermont County, Ohio, as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Union Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2013, 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 8, 2013

UNION TOWNSHIP
CLERMONT COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,069,135	\$14,399,902			\$15,469,037
Charges for Services		304,400			304,400
Licenses, Permits and Fees	510,075	516,664			1,026,739
Fines and Forfeitures	91,246	6,638			97,884
Intergovernmental	631,241	2,334,700			2,965,941
Payments in Lieu of Taxes		4,340,089			4,340,089
Special Assessments		50,034			50,034
Earnings on Investments	2,886	1,584		102	4,572
Miscellaneous	790,682	1,019,237			1,809,919
	<u>3,095,265</u>	<u>22,973,248</u>	<u>0</u>	<u>102</u>	<u>26,068,615</u>
<i>Total Cash Receipts</i>					
Cash Disbursements					
Current:					
General Government	2,363,743	8,420,385		125,045	10,909,173
Public Safety		8,131,725			8,131,725
Public Works		1,548,736			1,548,736
Health	596,918	130,224			727,142
Conservation-Recreation	502,464				502,464
Other		20,007			20,007
Capital Outlay	96,015	1,418,423			1,514,438
Debt Service:					
Principal Retirement		719,583	32,650,000		33,369,583
Interest and Fiscal Charges		1,167,470	457,703		1,625,173
	<u>3,559,140</u>	<u>21,556,553</u>	<u>33,107,703</u>	<u>125,045</u>	<u>58,348,441</u>
<i>Total Cash Disbursements</i>					
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(463,875)</u>	<u>1,416,695</u>	<u>(33,107,703)</u>	<u>(124,943)</u>	<u>(32,279,826)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds			32,150,000		32,150,000
Premium on Sale of Note			175,539		175,539
Transfers In	617,345	1,217,064	824,228		2,658,637
Transfers Out		(2,616,573)	(42,064)		(2,658,637)
	<u>617,345</u>	<u>(1,399,509)</u>	<u>33,107,703</u>	<u>0</u>	<u>32,325,539</u>
<i>Total Other Financing Receipts (Disbursements)</i>					
<i>Net Change in Fund Cash Balances</i>	153,470	17,186	0	(124,943)	45,713
<i>Fund Cash Balances, January 1</i>	<u>1,892,568</u>	<u>8,275,600</u>	<u>36,473</u>	<u>163,774</u>	<u>10,368,415</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	8,292,786	36,473	38,831	8,368,090
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	2,046,038	0	0	0	2,046,038
	<u>\$2,046,038</u>	<u>\$8,292,786</u>	<u>\$36,473</u>	<u>\$38,831</u>	<u>\$10,414,128</u>
<i>Fund Cash Balances, December 31</i>					

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

UNION TOWNSHIP
CLERMONT COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,110,099	\$15,018,841			\$16,128,940
Charges for Services		298,400			298,400
Licenses, Permits and Fees	492,259	502,933			995,192
Fines and Forfeitures	82,212	31,673			113,885
Intergovernmental	826,715	2,106,834		84,555	3,018,104
Payments in Lieu of Taxes		4,208,011			4,208,011
Special Assessments		52,211			52,211
Earnings on Investments	3,561	768		1,478	5,807
Miscellaneous	757,162	1,226,436			1,983,598
<i>Total Cash Receipts</i>	<i>3,272,008</i>	<i>23,446,107</i>	<i>0</i>	<i>86,033</i>	<i>26,804,148</i>
Cash Disbursements					
Current:					
General Government	2,711,543	6,532,889		100,000	9,344,432
Public Safety		8,885,161			8,885,161
Public Works		1,400,274			1,400,274
Health	306,476	401,836			708,312
Conservation-Recreation	514,040				514,040
Other		1,119,598			1,119,598
Capital Outlay	103,015	8,041,120		544,685	8,688,820
Debt Service:					
Principal Retirement		573,477	33,100,000		33,673,477
Interest and Fiscal Charges		1,209,969	549,276		1,759,245
<i>Total Cash Disbursements</i>	<i>3,635,074</i>	<i>28,164,324</i>	<i>33,649,276</i>	<i>644,685</i>	<i>66,093,359</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(363,066)</i>	<i>(4,718,217)</i>	<i>(33,649,276)</i>	<i>(558,652)</i>	<i>(39,289,211)</i>
Other Financing Receipts (Disbursements)					
Sale of Notes			32,650,000		32,650,000
Other Debt Proceeds		2,000,000			2,000,000
Premium on Sale of Note			153,455		153,455
Transfers In		6,647,780	862,601		7,510,381
Transfers Out	(1,000)	(6,692,601)	(16,780)	(800,000)	(7,510,381)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(1,000)</i>	<i>1,955,179</i>	<i>33,649,276</i>	<i>(800,000)</i>	<i>34,803,455</i>
<i>Net Change in Fund Cash Balances</i>	<i>(364,066)</i>	<i>(2,763,038)</i>	<i>0</i>	<i>(1,358,652)</i>	<i>(4,485,756)</i>
<i>Fund Cash Balances, January 1</i>	<i>2,256,634</i>	<i>11,038,638</i>	<i>36,473</i>	<i>1,522,426</i>	<i>14,854,171</i>
Fund Cash Balances, December 31					
Restricted		8,275,600	36,473	163,774	8,475,847
Unassigned (Deficit)	1,892,568				1,892,568
<i>Fund Cash Balances, December 31</i>	<i>\$1,892,568</i>	<i>\$8,275,600</i>	<i>\$36,473</i>	<i>\$163,774</i>	<i>\$10,368,415</i>

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

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012**

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'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.

Blended Component Unit. The Clermont County Community Improvement Corporation (CIC) a non-profit organization, is a five member board comprised of the three Township trustees, the Township fiscal officer, and one Township official. The CIC derives the major source of its revenues from Union Township in the form of capital and cash contributions. The CIC began operations in January 2011 for the purpose of fostering economic development in the Township. The CIC works with the Township in many aspects of the overall adopted economic development strategy of the Township with its current efforts focused on facilitating industrial and retail development. Financial statements related to the CIC can be obtained from the Township Planning and Zoning Director. The cash activity for the CIC is reported as part of the Special Revenue fund type.

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:

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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.

TIF Fund - This fund receives payments in lieu of taxes to fund certain public improvements.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. 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.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. 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.

3. Committed

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

4. Assigned

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

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. 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.

G. 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.

H. 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:

	2012	2011
Demand deposits	\$10,314,342	\$9,268,595
Demand deposits - CIC	99,786	299,820
Certificates of deposit		800,000
Total deposits	10,414,128	10,368,415

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

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,344,000	\$3,712,610	\$1,368,610
Special Revenue	21,436,122	22,413,275	977,153
Debt Service	0	33,149,767	33,149,767
Capital Projects	0	102	102
Total	\$23,780,122	\$59,275,754	\$35,495,632

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,485,629	\$3,586,281	\$899,348
Special Revenue	30,730,899	22,426,305	8,304,594
Debt Service	36,473	33,149,767	(33,113,294)
Capital Projects	191,713	125,045	66,668
Total	\$35,444,714	\$59,287,398	(\$23,842,684)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,124,069	\$3,272,008	\$147,939
Special Revenue	21,293,576	25,174,468	3,880,892
Debt Service	0	33,666,056	33,666,056
Capital Projects	16,000	86,033	70,033
Total	\$24,433,645	\$62,198,565	\$37,764,920

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,421,909	\$3,715,531	\$1,706,378
Special Revenue	32,330,167	28,826,992	3,503,175
Debt Service	28,820	33,666,056	(33,637,236)
Capital Projects	1,496,366	1,473,643	22,723
Total	\$39,277,262	\$67,682,222	(\$28,404,960)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Bond Retirement Fund by \$33,113,294 and \$33,637,236 for the years ended December 31, 2012 and 2011, respectively. The Township failed to budget for the retirement and reissuance of debt.

As discussed in Note 1A, the Union Township Community Improvement Corporation (CIC) is a blended component unit of the Township. The cash activity for the CIC is reported as part of the Special Revenue fund type in the accompanying financial statements however, this activity is not included in the Township's budgeted receipts and expenditures noted in the table above.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(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. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose GO BAN's (2012)	\$32,150,000	1.25%
CCCIC Funding Participation Agreement (2011)	763,965	6.00%
Lease Purchase Equipment (2006)	732,792	4.08%
Total	<u>\$33,646,757</u>	

The Various Purpose, General Obligation, Bonds Anticipation Notes (2012) 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 September 2012 in the amount of \$32,150,000. This note paid off the \$32,650,000 Various Purpose GO BANS's issued in September 2011 that were issued to retire the Various Purpose GO BANS's issued in September 2010.

The funding participation agreement (2011) relates to the \$2,000,000 advance that the Township received from the Clermont County CIC for the acquisition of property to establish a Jungle Jim's Market. The agreement states that the reimbursement of the Funding Share will be secured by the Township's TIF fund. The advance will be repaid in monthly installments of \$60,843.87, including interest, over 3 years.

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, 2011 AND 2012
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Funding Participation Agreement 2011	Capital Equipment Lease 2006
2013	\$669,283	\$193,544
2014	121,688	193,544
2015		193,544
2016		193,544
Total	\$790,971	\$774,176

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2012 was \$10,395,000. 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, 2012, the custodian held \$6,000,735 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 2011 and 2012, OP&F participants contributed 10% of their wages. For 2011 and 2012, 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 2011 and 2012, 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, 2012.

8. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

9. Intergovernmental Agreement

The Township has entered into an intergovernmental agreement with the Clermont County Transportation Improvement District (the District) to assist in providing funding to the District to facilitate the development and implementation of the District's projects.

The intergovernmental agreement with District provides for \$1,000,000 of funding commitments from available revenue sources in the amount of \$100,000 per year for a period of 10 years beginning in 2007.

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.

The Township entered into the Joint Economic Development District 2 (JEDD) contract with the City of Milford in February 2012 to create the Jungle Jim's Eastgate and Carepointe Clermont 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.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

12. Tax Incremental 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 Districts 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.

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. As disclosed in Note 5, the Township issued GO Capital Improvement and Refunding BAN's in September 2009 to retire the 2008 TIF Revenue Bond Anticipation BAN's.

**UNION TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

12. Tax Incremental Financing Agreements (Continued)

In December 2009, the Township adopted resolutions 2009-30 through 2009-32 creating three incentive districts. The Township entered into the Tax Increment Financing (TIF) agreements in December 2009 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, 2039. 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.

13. Subsequent Events

The Township entered into the Joint Economic Development District 3 (JEDD) contract with the City of Milford in March 2013 to create the 516 Old State Route 74 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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Union Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 8, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, as described in Note 1. We also noted the Township adopted the accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2012-001 described in the accompanying schedule of to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

Entity's Response to Findings

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

Purpose of this Report

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

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

Columbus, Ohio

July 8, 2013

**UNION TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

<i>Finding Number</i>	2012-001
-----------------------	----------

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(A) states, in part that 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 following issues noted during the audit illustrate a lack of management oversight at the Township:

- In 2012, a \$193,544 fire equipment capital lease payment was posted to the TIF Fund that should have been posted to the Fire Fund. The financial statements have been adjusted for this misclassification between funds.
- In 2011, the Township failed to record TIF fund loan proceeds from the Clermont County CIC totaling \$2,000,000 and corresponding capital outlay expense of \$2,000,000 to the general ledger system. The financial statements have been adjusted for this omission from the fund.
- \$57,024 of interest and fiscal charges in the Debt Service Fund were posted to principal retirement in the general ledger system.
- \$517,838 of intergovernmental revenue in the TIF fund for 2011 were posted to other revenue in the general ledger system.
- \$365,591 and \$356,498 of intergovernmental revenue in the Permissive Motor Vehicle Fund in 2012 and 2011, respectively, were posted to property tax revenue in the general ledger system.
- \$428,084 and \$456,849 of intergovernmental revenue in the JEDD Fund in 2012 and 2011, respectively, were posted to property tax revenue in the general ledger system.
- \$37,825 and \$36,544 of payments in lieu of taxes revenue in the RID Fund in 2012 and 2011, respectively, were posted to property tax revenue in the general ledger system.
- TIF Fund transfers in totaling \$42,064 and \$16,780, and transfers out totaling \$824,228 and \$862,601, for 2012 and 2011, respectively, in the Township's Annual Financial Report were posted to receipts and disbursements in the general ledger system.
- General Fund health expenses totaling \$58,645 and \$54,915 were posted to general government expense totaling \$39,985 and \$44,011, and capital outlay expense totaling \$18,660 and \$10,904, for 2012 and 2011, respectively, in the general ledger system.

The Township does not have procedures in place for effective monitoring of the Township's financial activity recorded in the underlying accounting records and reporting in the annual financial report. The Township Fiscal Officer has sole responsibility for recording and reporting. Due to the size of the Township, it is important that the Board of Trustees take an active role in monitoring the posting of the activity.

<i>Finding Number</i>	2012-001
-----------------------	----------

(Continued)

Failure to accurately post financial activity can lead to material misstatements in financial reporting. We recommend that due care be exercised when posting entries to the financial records and annual financial report to prevent errors and to assist in properly reflecting the Township's financial activity in the underlying accounting records and annual financial report. In addition, we recommend that the Township Trustees adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported in the annual financial report.

<i>Finding Number</i>	2012-002
-----------------------	----------

Noncompliance

Ohio Rev. Code, Section 5705.29(C)(1) and (2), states the tax budget shall present the amount required for debt charges and requires that the estimated receipts from sources other than the tax levy for payment of debt charges, including the proceeds of refunding debt maturing in the next succeeding fiscal year, be included in the annual tax budget.

Ohio Rev. Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

The Township retired and reissued notes in 2012 and 2011 for \$32,150,000 and \$32,650,000, respectively, and failed to record and budget the related debt receipts and disbursements. The activity was recorded in the annual report and accompanying financial statements.

In addition, the Township had budgetary expenditures that exceeded total appropriations in the Bond Retirement Fund by \$33,113,294 and \$33,637,236 in 2012 and 2011 respectively.

We recommend the Board of Trustees include receipts and disbursements related to all debt activity in the annual budget and make amendments as needed to avoid noncompliance with the Ohio Revised Code budgetary requirements. Additionally, the Fiscal Officer should record the receipts and disbursements for the retirement and reissuance of debt in the underlying accounting records.

Officials' Response:

We understand the issues presented and are working to take the necessary steps to correct them, including working with Local Government Services where applicable. We understand the issues presented and are working to take the necessary steps to correct them, including working with Local Government Services where applicable.

**UNION TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Revenue and disbursement misclassifications.	No	Reissued as finding 2012-001
2010-002	ORC 5705.41(B), Expenditures exceeding appropriations.	No	Partially corrected; reissued as finding 2012-002
2010-003	ORC 5705.41(D), Failure to properly encumber funds.	No	Partially corrected; reissued in the management letter.
2010-004	ORC 9.38, Failure to promptly deposit cash receipts.	No	Partially corrected; reissued in the management letter.

This page intentionally left blank.



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
JULY 23, 2013