



Dave Yost • Auditor of State



**UNION TOWNSHIP  
WARREN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings.....	19

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Union Township, Warren 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 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, Warren County 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 permit, 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 January 9, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 9, 2014

**UNION TOWNSHIP  
WARREN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$95,010	\$680,201	\$775,211
Charges for Services		103,700	103,700
Licenses, Permits and Fees	5,656	51,279	56,935
Intergovernmental	92,355	213,008	305,363
Special Assessments	0	23,709	23,709
Earnings on Investments	1,003	182	1,185
Miscellaneous	3,374	56,084	59,458
<i>Total Cash Receipts</i>	<u>197,398</u>	<u>1,128,163</u>	<u>1,325,561</u>
<b>Cash Disbursements</b>			
Current:			
General Government	216,971	49,747	266,718
Public Safety		842,819	842,819
Public Works	12,304	133,532	145,836
Health		69,856	69,856
Capital Outlay	12,623		12,623
Debt Service:			
Principal Retirement	4,237	48,200	52,437
Interest and Fiscal Charges		4,133	4,133
<i>Total Cash Disbursements</i>	<u>246,135</u>	<u>1,148,287</u>	<u>1,394,422</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,737)</u>	<u>(20,124)</u>	<u>(68,861)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Bonds		190,000	190,000
<i>Total Other Financing Receipts (Disbursements)</i>		<u>190,000</u>	<u>190,000</u>
<i>Net Change in Fund Cash Balances</i>	(48,737)	169,876	121,139
<i>Fund Cash Balances, January 1</i>	<u>260,940</u>	<u>761,396</u>	<u>1,022,336</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	931,272	931,272
Unassigned (Deficit)	<u>212,203</u>	<u>0</u>	<u>212,203</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$212,203</u></u>	<u><u>\$931,272</u></u>	<u><u>\$1,143,475</u></u>

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

**UNION TOWNSHIP  
WARREN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$95,583	\$570,456	\$666,039
Charges for Services		84,747	84,747
Licenses, Permits and Fees	7,960	41,285	49,245
Intergovernmental	139,640	220,776	360,416
Special Assessments		22,928	22,928
Earnings on Investments	2,110	850	2,960
Miscellaneous	36,220	22,058	58,278
<i>Total Cash Receipts</i>	<u>281,513</u>	<u>963,100</u>	<u>1,244,613</u>
<b>Cash Disbursements</b>			
Current:			
General Government	194,980	59,689	254,669
Public Safety	3,677	706,082	709,759
Public Works	3,339	167,070	170,409
Health	347	64,563	64,910
Capital Outlay	9,679		9,679
Debt Service:			
Principal Retirement		56,374	56,374
Interest and Fiscal Charges		5,865	5,865
<i>Total Cash Disbursements</i>	<u>212,022</u>	<u>1,059,643</u>	<u>1,271,665</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>69,491</u>	<u>(96,543)</u>	<u>(27,052)</u>
<i>Net Change in Fund Cash Balances</i>	69,491	(96,543)	(27,052)
<i>Fund Cash Balances, January 1</i>	<u>191,449</u>	<u>857,939</u>	<u>1,049,388</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	761,396	761,396
Unassigned (Deficit)	260,940	0	260,940
<i>Fund Cash Balances, December 31</i>	<u>\$260,940</u>	<u>\$761,396</u>	<u>\$1,022,336</u>

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



**UNION TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

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

**B. Accounting Basis**

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

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

**C. Deposits**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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:

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

**UNION TOWNSHIP  
WARREN COUNTY**

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

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

Special Levy EMS Fund - This fund receives proceeds from the Township's EMS Billing Provider, Medicare, and Medicaid reimbursements.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 and 2011 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.

**UNION TOWNSHIP  
WARREN COUNTY**

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

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

**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.

**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**

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$1,143,475	\$1,022,336

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

**UNION TOWNSHIP  
WARREN COUNTY**

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

**3. Budgetary Activity**

Budgetary activity for the years ending 2012 and 2011 as follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,240	\$197,398	\$51,158
Special Revenue	1,512,104	1,318,163	(193,941)
Capital Projects	176,500	0	(176,500)
Total	\$1,834,844	\$1,515,561	(\$319,283)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$407,180	\$246,135	\$161,045
Special Revenue	2,273,390	1,148,287	1,125,103
Capital Projects	176,500	0	176,500
Total	\$2,857,070	\$1,394,422	\$1,462,648

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,490	\$281,513	\$43,023
Special Revenue	1,503,569	963,100	(540,469)
Capital Projects	176,500	0	(176,500)
Total	\$1,918,559	\$1,244,613	(\$673,946)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,480	\$212,022	\$214,458
Special Revenue	2,357,097	1,059,643	1,297,454
Capital Projects	176,500	0	176,500
Total	\$2,960,077	\$1,271,665	\$1,688,412

**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.

**UNION TOWNSHIP  
WARREN COUNTY**

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

**4. Property Tax (Continued)**

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:

	Principal	Interest Rate
Fire Truck Acquisition GO Bonds	\$35,000	3.74%
Equipment Acquisition GO Bonds	\$41,900	2.75%
Vehicle Acquisition GO Bonds	\$190,000	2.75%
OPWC - Bunnell Rd.	8,474	0.00%
Total	\$275,374	

The Township issued \$300,000 General Obligation bonds in 2003 to finance the purchase of a new fire truck. The Township's taxing authority collateralized the bonds.

The Township issued \$68,000 of General Obligation Bonds in 2010 to finance the purchase of new heart monitoring equipment for use by the Fire/EMS Department. The Township's taxing authority collateralized the bonds.

The Township received an \$84,740.50 Ohio Public Works Commission (OPWC) loan in 2003 to complete the Bunnell Road Improvement Project.

The Township issued \$190,000 of General Obligation Bonds in 2012 to finance the purpose of acquiring an ambulance for use by the Township's Fire/EMS Department.

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

	Fire Truck GO Bonds	Equipment GO Bonds	Vehicle Acquisition GO Bonds	OPWC Loan
Year ending December 31:				
2013	\$36,309	\$13,974	\$23,273	\$8,474
2014		\$14,385	22,849	
2015		\$14,693	22,849	
2016			22,849	
2017			22,849	
2018-2022			114,244	
Total	\$36,309	\$43,052	\$228,913	\$8,474

**UNION TOWNSHIP  
WARREN COUNTY**

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

**6. Retirement Systems**

The Township's full-time certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other full-time 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2012 and 2011, 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.

Effective July 1, 1991, all employees not otherwise covered by the OPERS use Social Security. As of December 31, 2012, the Township's part-time Fire Fighters use Social Security. For 2012 and 2011, participants contributed 4.2%. The Township's liability is 6.2% of wages paid.

**7. Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

**UNION TOWNSHIP  
WARREN COUNTY**

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

**7. Risk Management (Continued)**

	<b>2012</b>	<b>2011</b>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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

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# 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  
Warren County  
285 East Pike Street  
South Lebanon, Ohio 45065

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, Warren 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 January 9, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted that during 2011 the Township adopted new 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. 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 finding 2012-002 in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of as item 2012-001.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 9, 2014

UNION TOWNSHIP  
WARREN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

**Noncompliance**

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

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

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

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

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

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2012-001  
(Continued)**

Of 24 expenditures tested, the fiscal officer did not certify three out of 12 for 2011 (25%) and three out of 12 for 2012 (25%) at the time the Township incurred the commitment. One 2011 expenditure was identified as an exception because auditors could not determine the invoice date. Another 2011 expenditure was identified as an exception because related appropriations were partially encumbered. In addition, the Township issued three “then and now” purchase orders in 2011 for expenditures greater than \$3,000. These three “then and now” purchase orders were not approved by resolution or ordinance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**FINDING NUMBER 2012-002**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township made errors in reporting financial activity for 2011 and 2012:

- In 2011, the Township posted \$98,994 of Homestead Rollback revenue to Tax revenue rather than Intergovernmental revenue.
- In 2011, the Township posted \$34,448 of Commercial Activity Tax receipts to Tax revenue rather than Intergovernmental revenue.
- In 2011, the Township posted \$131 in liquor permit fees posted Liquor Permit Fees to Licenses, Fines, & Permits revenue rather than Intergovernmental revenue.
- In 2011, the Township posted an Estate Tax Settlement at net rather than gross, which understated both Intergovernmental revenue and disbursements by \$20,238.
- In 2011, the Township improperly posted the \$3,927 interest portion of the debt payment for the Fire Truck Acquisition Loan to Public Safety rather than Interest.
- In 2011, the Township improperly posted the entire \$14,838 debt payment for the Equipment Acquisition Loan to Public Safety rather than Principal (\$12,900) and Interest (\$1,938).

**FINDING NUMBER 2012-002  
(Continued)**

- In 2012, the Township posted \$114,559 of Homestead Rollback revenue to Tax revenue rather than Intergovernmental revenue.
- In 2012, the Township posted \$37 from a cigarette license settlement to Tax revenue rather than Intergovernmental revenue.
- In 2012, the Township posted \$17,753 of Commercial Activity Tax receipts to Tax revenue rather than Intergovernmental revenue.
- In 2012, the Township posted a \$1,916 Insurance reimbursement to Tax revenue rather than Miscellaneous Revenue.
- In 2012, the Township posted an Estate Tax Settlement at net rather than gross, which understated both Intergovernmental revenue and disbursements by \$476.
- In 2012, the Township improperly posted the \$2,618 interest portion of the debt payment for the Fire Truck Acquisition Loan to Principal rather than Interest.
- In 2012, the Township improperly posted the \$4,237 payment for the Bunnel Road OPWC Loan to General Government instead of Principal.
- In 2012, the Township improperly posted the \$1,515 interest portion of the debt payment for the Equipment Acquisition Loan to Principal rather than Interest.

Adjustments were posted to the financial statements and Township ledgers, where appropriate, to correct the above misclassifications. The lack of management controls could result in materially misstated financial statements. To improve the accuracy of record keeping and financial reporting, we recommend that the Township develop policies and procedures to enhance related controls. For guidance, the Township should utilize the Ohio Township Handbook. We also recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the Township annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Official's Response:**

We received no response to these findings.

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**UNION TOWNSHIP  
WARREN 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; <b><i>Explain</i></b>
2010-01	Improper posting of receipts and disbursements	No	Reissued as Finding 2012-002
2010-02	Ohio Rev. Code Section 5705.41(D)(1)- Failure to properly encumber funds	No	Reissued as Finding 2012-001
2010-03	Ohio Rev. Code Section 5705.36(A)(4)- Appropriations exceeded available resources	Yes	
2010-04	Ohio Rev. Code, Section 5705.41(B)- Expenditures exceeded appropriations	Yes	

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# Dave Yost • Auditor of State

UNION TOWNSHIP

WARREN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 28, 2014