

Union Township
Scioto County
Regular Audit
For the Years Ended December 31, 2011 and 2010



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Union Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 15, 2012

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Scioto County
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For the Years Ended December 31, 2011 and 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 governments 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

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Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserve for encumbrances as of December 31, 2010, of Union Township, Scioto County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 10, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



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

June 28, 2012

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$51,785	\$80,550	\$0	\$132,335
Licenses, Permits, and Fees	0	12,230	0	12,230
Intergovernmental	17,710	203,954	0	221,664
Earnings on Investments	375	678	0	1,053
Miscellaneous	760	8,060	0	8,820
Total Cash Receipts	70,630	305,472	0	376,102
Cash Disbursements:				
Current:				
General Government	63,714	0	0	63,714
Public Safety	0	54,379	0	54,379
Public Works	542	126,720	0	127,262
Health	0	9,088	0	9,088
Capital Outlay	0	84,160	522,064	606,224
Debt Service:				
Redemption of Principal	0	35,738	0	35,738
Interest and Other Fiscal Charges	0	6,342	0	6,342
Total Cash Disbursements	64,256	316,427	522,064	902,747
Total Cash Receipts Over Cash Disbursements	6,374	(10,955)	(522,064)	(526,645)
Other Financing Sources:				
Sale of Bonds	0	0	557,417	557,417
Total Other Financing Sources	0	0	557,417	557,417
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	6,374	(10,955)	35,353	30,772
Fund Cash Balances (Deficit), January 1	(1,029)	170,545	0	169,516
Fund Cash Balances, December 31:				
Restricted for:				
Fire Operations	\$0	\$20,407	\$0	\$20,407
Road and Bridge Maintenance and Construction	0	102,100	0	102,100
Cemetery	0	24,147	0	24,147
Capital Projects	0	0	35,353	35,353
Committed to:				
Road and Bridge Maintenance and Construction	0	12,936	0	12,936
Unassigned	5,345	0	0	5,345
Fund Cash Balances, December 31	\$5,345	\$159,590	\$35,353	\$200,288

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

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$48,711	\$79,559	\$128,270
Licenses, Permits, and Fees	0	8,346	8,346
Intergovernmental	31,649	204,424	236,073
Earnings on Investments	244	2,018	2,262
Miscellaneous	1,307	5,700	7,007
Total Cash Receipts	81,911	300,047	381,958
Cash Disbursements:			
Current:			
General Government	66,403	0	66,403
Public Safety	0	85,272	85,272
Public Works	722	94,091	94,813
Health	0	8,967	8,967
Capital Outlay	0	62,271	62,271
Debt Service:			
Redemption of Principal	0	26,883	26,883
Interest and Other Fiscal Charges	0	1,397	1,397
Total Cash Disbursements	67,125	278,881	346,006
Total Cash Receipts Under Cash Disbursements	14,786	21,166	35,952
Fund Cash Balances (Deficit), January 1	(15,815)	149,379	133,564
Fund Cash Balances (Deficit), December 31	(\$1,029)	\$170,545	\$169,516
Reserve for Encumbrances, December 31	\$82	\$395	\$477

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

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

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

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

Basis of Accounting

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

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

Cash

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

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Funds:

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

Fire Station Fund - This fund received bond proceeds which were used for the construction and equipping of a new fire station.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of the 2011 and 2010 budgetary activity appears in Note 3.

Fund Balances

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Property, Plant, and Equipment

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

Note 2 – Equity in Pooled Cash

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

	2011	2010
Demand Deposits	\$200,288	\$169,516

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,568	\$70,630	(\$7,938)
Special Revenue	228,550	305,472	76,922
Capital Projects	557,417	557,417	0
Total	\$864,535	\$933,519	\$68,984

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,926	\$64,256	(\$1,330)
Special Revenue	445,956	316,427	129,529
Capital Projects	522,064	522,064	0
Total	\$1,030,946	\$902,747	\$128,199

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,418	\$81,911	\$26,493
Special Revenue	201,915	300,047	98,132
Total	\$257,333	\$381,958	\$124,625

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,336	\$67,207	\$10,129
Special Revenue	380,788	279,276	101,512
Total	\$458,124	\$346,483	\$111,641

Note 4 – Property Taxes

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

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

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.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 4 – Property Taxes (Continued)

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

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

Note 5 – Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$14,189	0.00%
Fire Station Bonds	438,152	3.88%
Community Building Bonds	107,417	3.88%
Total	<u>\$559,758</u>	

On April 14, 2006, the Township issued a note to finance the purchase of land to be used for the Township cemetery. The note to purchase the land is secured by the land. This note was repaid in full during 2011.

On October 28, 2008, the Township issued a note to finance the purchase of a new fire truck to be used for Township fire protection. The note to purchase the fire truck is secured by the fire truck. This note was repaid in full during 2011.

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

In March 2011, the Township authorized the issuance of bonds for the purpose of constructing and equipping a new fire station in the amount of \$450,000. As of December 31, 2011, the Township had advanced this entire balance. Semi-annual installments of \$5,355 are required to repay these bonds for a period of 20 years. These bonds are secured by the full faith and credit of the Township.

In October 2011, the Township authorized the issuance of bonds for the purpose of constructing a new community building in the amount of \$150,000. As of December 31, 2011, the Township had advanced \$107,417 of this authorized balance. After the first 6 months of the term, semi-annual installments of \$16,277 are required to repay these bonds with a final payment due on April 30, 2032. For the first 6 months of the term, monthly amounts due represent only interest on the outstanding balance. These bonds are secured by the full faith and credit of the Township.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Debt (Continued)

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

Year Ending December 31:	OPWC Loan	Fire Station Bonds	Community Building Bonds
2012	\$7,098	\$32,555	\$5,355
2013	7,098	32,555	10,709
2014	0	32,555	10,709
2015	0	32,555	10,709
2016	0	32,555	10,709
2017-2021	0	162,775	53,546
2022-2026	0	162,775	53,546
2027-2031	0	149,202	53,546
2032	0	0	5,355
Total	\$14,196	\$637,527	\$214,184

Note 6 – Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2011.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

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

The Township contracted with 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA’s retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 – Risk Management (Continued)

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	9,718,792	10,664,724
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, 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 is approximately \$29,338.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$14,669 and \$11,181, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

Union Township
Scioto County

Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8 – Jointly Governed Organization

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

Note 9 – Accountability and Compliance

- The Township had appropriations in excess of available resources contrary to Ohio Revised Code Section 5705.36.
- The Township had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.
- The Township did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Township had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Township did not properly pay Trustees in accordance with Ohio Revised Code Section 505.24.
- The Township did not pass appropriations in 2011 or 2010 in accordance with Ohio Revised Code Section 5705.38.

Note 10 – Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township’s fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Township has no funds that required fund reclassification.

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

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

We have audited the financial statements of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 28, 2012, wherein we noted the Township followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Township is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings are identified as items 2011-1 and 2011-2.

Union Township
Scioto County

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-3 through 2011-8.

We noted certain matters that we reported to management of the Township in a separate letter dated June 28, 2012.

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

This report is intended solely for the information and use of management, the Board of Trustees, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



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

June 28, 2012

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2011-1

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified revenues and expenses in both 2010 and 2011, in some instances posted receipts and expenditures to the incorrect funds, and in instances had unrecorded on-behalf transactions. These errors have been corrected in the accompanying financial statements. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Township Response:

The Township chose not to include a response.

Finding Number 2011-2

Material Weakness – Budgetary Information in UAN

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

Township Response:

The Township chose not to include a response.

Finding Number 2011-3

Noncompliance Citation – Ohio Revised Code Section 5705.41 (D)

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

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Finding Number 2011-3 (Continued)

Noncompliance Citation – Ohio Revised Code Section 5705.41 (D) (Continued)

One hundred percent of disbursements tested in 2010 and 78 percent of disbursements tested in 2011 had invoice dates preceding the encumbrance date. Failure to certify the availability of funds properly can result in over spending funds and negative cash fund balances. Management failed to properly monitor purchasing needs and encumber funds prior to commitment. The Township should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment.

Township Response:

The Township chose not to include a response.

Finding Number 2011-4

Noncompliance Citation – Ohio Revised Code Section 5705.36

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Township had appropriations in excess of available resources in the General and Cemetery Funds during 2010 and in the Fire District Fund in 2011. The condition put the Township at risk of overspending without sufficient available funds. The Township should implement additional monitoring procedures to ensure the appropriations are within available sources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

Township Response:

The Township chose not to include a response.

Finding Number 2011-5

Noncompliance Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states that that total appropriations from each fund shall not exceed the total estimated resources. The Township had appropriations in excess of estimated resources in the General, Cemetery and Fire District Funds in 2010 and in the Fire District Fund in 2011. Failure to properly monitoring budgetary variances subjects the Township to the risk of overspending. The Township should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

Township Response:

The Township chose not to include a response.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Finding Number 2011-6

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in the Permissive Motor Vehicle License Tax Fund and the Fire District Fund in 2010 and in the General Fund in 2011. The Township also incurred expenditures prior to the passage of appropriations resolutions for each year. Failure to properly monitor budget to actual activity subjects the Township to the risk of unauthorized or improper spending. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized and appropriated amounts.

Township Response:

The Township chose not to include a response.

Finding Number 2011-7

Noncompliance Citation – Ohio Revised Code Section 505.24

Ohio Revised Code Section 505.24 sets forth the method by which a township trustee's compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion Number 2004-036. The Section requires the following:

1. Trustees receiving per diem compensation: The trustees must resolve a method by which each trustee shall periodically notify the township clerk of the number of days spent on township services and the kinds services rendered, as documented.
2. Trustees receiving compensation by annual salary: By resolution, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement. However, for salaries not paid from the General Fund OAG Opinion Number 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative" procedures can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees does not document their time, then no part of salaries may be paid from these other funds.

The Township did not properly allocate Trustee salaries in accordance with supporting documentation during the audit period. The Fiscal Officer should ensure that time records are reviewed each month and that Trustee pay is properly allocated in accordance with those records.

Township Response:

The Township chose not to include a response.

Finding Number 2011-8

Noncompliance Citation – Timely Passage of Appropriations

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

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Finding Number 2011-8 (Continued)

Noncompliance Citation – Timely Passage of Appropriations (Continued)

The Township did not note in the minutes when the appropriation measures were passed. However, for 2010 and 2011 they were filed with the County Auditor's Office on February 2, 2010 and September 29, 2011, respectively.

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

Township Response:

The Township chose not to include a response.

Union Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2009-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2011-1
Finding 2009-2	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2011-2
Finding 2009-3	Noncompliance – ORC 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2011-3
Finding 2009-4	Noncompliance – ORC 5705.36 – Appropriations in Excess of Available Resources	No	Reissued as Finding 2011-4
Finding 2009-5	Noncompliance – ORC 5705.39 – Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2011-5
Finding 2009-6	Noncompliance – ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2011-6
Finding 2009-7	Noncompliance – ORC 505.37 – Competitive Bidding of Contracts	Yes	
Finding 2009-8	Noncompliance – ORC 505.24 – Trustee Salaries	No	Reissued as Finding 2011-7
Finding 2009-9	Noncompliance – ORC 5705.10 – Negative Fund Balances	No	Reissued in management letter
Finding 2009-10	Noncompliance – ORC 5705.38 – Timely Passage of Appropriations	No	Reissued as Finding 2011-8

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Dave Yost • Auditor of State

UNION TOWNSHIP

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2012