



Dave Yost • Auditor of State

**UNION TOWNSHIP
CLERMONT COUNTY**

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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, (the Township) as of and for the year ended December 31, 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

The effects 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, 2013, 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 as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 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

June 3, 2014

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 1,058,091	\$ 14,234,538	\$ -	\$ -	\$ 15,292,629
Intergovernmental	732,200	2,424,030	-	-	3,156,230
Special Assessments	-	57,157	-	-	57,157
Payments in Lieu of Taxes	-	4,738,007	-	-	4,738,007
Charges for Services	-	310,400	-	-	310,400
Fines, Licenses and Permits	513,457	549,177	-	-	1,062,634
Fines and Forfeitures	80,323	985	-	-	81,308
Earnings on Investments	2,924	2,519	-	16	5,459
Miscellaneous	738,368	1,588,359	-	-	2,326,727
Total Cash Receipts	3,125,363	23,905,172	-	16	27,030,551
<i>Cash Disbursements:</i>					
Current:					
General Government	2,570,313	8,010,967	-	20,387	10,601,667
Public Safety	-	8,219,867	-	-	8,219,867
Public Works	-	1,542,823	-	-	1,542,823
Health	390,497	247,238	-	-	637,735
Conservation/Recreation	559,179	-	-	-	559,179
Other	-	8,173	-	-	8,173
Capital Outlay	56,634	643,613	-	-	700,247
Debt Service:					
Redemption of Principal	-	1,418,358	31,600,000	-	33,018,358
Interest and Fiscal Charges	-	1,417,894	194,387	-	1,612,281
Total Cash Disbursements	3,576,623	21,508,933	31,794,387	20,387	56,900,330
Receipts Over (Under) Disbursements	(451,260)	2,396,239	(31,794,387)	(20,371)	(29,869,779)
<i>Other Financing Receipts (Disbursements):</i>					
Sale of Notes	-	-	31,600,000	-	31,600,000
Premium on Sale of Notes	-	-	329,272	-	329,272
Note Issuance Costs	-	-	(134,885)	-	(134,885)
Proceeds from Sale of Capital Assets	-	7,987,201	-	-	7,987,201
Transfers-In	9,049,629	397,000	-	-	9,446,629
Transfers-Out	-	(9,446,629)	-	-	(9,446,629)
Total Other Financing Receipts (Disbursements)	9,049,629	(1,062,428)	31,794,387	-	39,781,588
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	8,598,369	1,333,811	-	(20,371)	9,911,809
Fund Cash Balances, January 1	2,046,038	8,292,786	36,473	38,831	10,414,128
Fund Cash Balances, December 31					
Restricted	-	9,626,597	36,473	18,460	9,681,530
Assigned	55,701	-	-	-	55,701
Unassigned	10,588,706	-	-	-	10,588,706
Fund Cash Balances, December 31	\$ 10,644,407	\$ 9,626,597	\$ 36,473	\$ 18,460	\$ 20,325,937

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

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**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 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 statements describes these assets.

Blended Component Unit. The Union Township 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 of the Township.

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:

1. General Fund

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

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 for 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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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 2013 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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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 investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2013 was as follows:

Demand deposits	\$20,276,735
Demand deposits - CIC	49,202
Total deposits	\$20,325,937

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 12,093,800	\$ 12,174,992	\$ 81,192
Special Revenue	22,710,409	22,842,402	131,993
Debt Service	31,929,272	31,929,272	-
Capital Projects	16	16	-
Total	\$ 66,733,497	\$ 66,946,682	\$ 213,185

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,594,891	\$ 3,632,324	\$ 1,962,567
Special Revenue	30,014,662	22,609,560	7,405,102
Debt Service	31,929,272	31,929,272	-
Capital Projects	38,830	38,682	148
Total	\$ 67,577,655	\$ 58,209,838	\$ 9,367,817

As discussed in Note 1.A., 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 or actual receipts and expenditures noted in the table above.

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.

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

5. DEBT

Debt outstanding at December 31, 2013, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2013 Various Purpose General Obligation Bond Anticipation Notes	\$ 31,600,000	1.50%
2011 CCCIC Funding Participation Agreement	60,541	6.00%
2006 Equipment Capital Lease	<u>536,287</u>	4.08%
Total	<u>\$ 32,196,828</u>	

The 2013 Various Purpose General Obligation Bond Anticipation Notes 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 2013 in the amount of \$31,600,000. This note paid off the \$32,150,000 Various Purpose General Obligation Bond Anticipation Notes issued in September 2012 that were issued to retire the Various Purpose General Obligation Bond Anticipation Notes issued in September 2011.

The 2011 Funding Participation Agreement 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 \$60,844, including interest, over three years.

The 2006 Equipment Capital Lease 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 ten years.

Amortization of the above remaining debt and interest is scheduled as follows:

Year ending	2011	2006	
December 31:	Participation	Equipment	Total
	<u>Agreement</u>	<u>Lease</u>	
2014	\$ 60,844	\$ 193,544	\$ 254,388
2015	-	193,544	193,544
2016	-	193,544	193,544
Total	<u>\$ 60,844</u>	<u>\$ 580,632</u>	<u>\$ 641,476</u>

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2013 was \$9,640,000. This disclosure does not include the related defeased debt or assets, since trusteed 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, 2013 the custodian held \$5,396,387 in Township assets to retire these bonds.

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

7. RETIREMENT SYSTEMS

The Township's certified full-time 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 2013, OP&F participants contributed 10 percent of their wages prior to July 2013 and 10.75 percent of their wages from July 2013 through the end of the year. For 2013, the Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. For 2013, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

8. MISCELLANEOUS RECEIPTS AND TRANSFERS

The Union Township CIC is a blended component unit of the Township and is reported as a special revenue fund. The CIC collected lease and mortgage payments and proceeds from the sale of capital assets, and forwards those funds to the Township. During 2013, the CIC collected and forwarded the following amounts to the Township:

Lease and mortgage payments (recorded as miscellaneous receipts)	\$ 1,087,428
Proceeds from sale of capital assets	<u>7,987,201</u>
Total Transfers	<u><u>\$9,074,629</u></u>

Upon reclassifying the CIC activity as a special revenue fund, amounts paid by the Township to the CIC and the return of receipts collected by the CIC to the Township, are reclassified as interfund transfers as follows:

Transfer-Out Fund	Transfer-In Fund	Amount
TIF	CIC	\$ 372,000
CIC	General	9,049,629
CIC	JEDD	<u>25,000</u>
Total Transfers		<u><u>\$9,446,629</u></u>

9. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

10. 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 the District initially provided 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. The agreement was amended during 2011 to increase the pledged revenue commitment of the Township over an extended period ending 2028.

11. CONTRACT POSTAL UNIT

The Township has a contract with the United States Postal Service (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 percent 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.

12. 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 and 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 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 and 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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

13. SPECIAL IMPROVEMENT DISTRICT

In November 2013 the Township created a Special Improvement District (SID) for the purpose of applying a special assessment on the development known as the Jungle Jim's International Marketplace (Jungle Jim's). The creation of the SID was part of a conduit debt financing agreement between Jungle Jim's, the Township, the Union Township CIC and the Clermont County Port Authority.

The Clermont County Port Authority issued \$22,705,000 of Economic Development Special Obligation Bonds and purchased the property from Jungle Jim's. The Clermont County Port Authority in turn transferred the property to the Union Township CIC. The Bonds are conduit debt of the Clermont County Port Authority as security for the bonds consists primarily of a pledge by the Township to pay assessment proceeds collected under the SID to the Clermont County Port Authority in semi-annual installments for 20 years in the amount of annual debt service charges on bonds issued, plus an amount not to exceed \$25,000 for annual administrative expenses of the SID.

14. TAX INCREMENT 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 they 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 resolution 2006-33, creating a tax incentive district. The Township entered into the Tax Increment Financing (TIF) agreement in February 2007 with West Clermont Local School District. The Tax Incentive District was created pursuant to Ohio Revised Code Section 5709.73(B). The Township declared that the District was 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

**UNION TOWNSHIP
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)**

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 of the \$6,975,000 of outstanding Civic Center General Obligation Bonds, Series 2002, (b) advance refunding of 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 BANs in September 2009 to retire the 2008 TIF Revenue BANs.

In December 2009 the Township adopted resolutions 2009-30 through 2009-32, creating three tax 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 Districts. 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.

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 and 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, (the Township) as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 3, 2014, wherein we noted the Township followed accounting financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

June 3, 2014

**UNION TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	OAC 117-2-02(A) Township had numerous mispostings	Yes	
2012-002	ORC 5705.29('C)(1)&(2) debt activity was not included in the tax budget; and ORC 5705.41(B) the township expended more than it appropriated	Yes	

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UNION TOWNSHIP CLERMONT COUNTY

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
JUNE 19, 2014