

***UNION TOWNSHIP  
AUGLAIZE COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Union Township  
19128 Miller Road  
Wapakoneta, Ohio 45895

We have reviewed the *Report of Independent Accountants* of Union Township, Auglaize County, prepared by Charles E. Harris & Associates, 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 10, 2012

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**UNION TOWNSHIP  
AUGLAIZE COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2011 and 2010**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT OF INDEPENDENT ACCOUNTANTS

Union Township  
Auglaize County  
15054 State Route 65  
Wapakoneta, Ohio 45845

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Auglaize County, (the Township) as 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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.

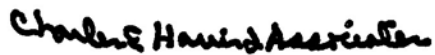
Instead of the combined finds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the 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.

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 of the Township and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Township adopted Government 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 25, 2012, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



*Charles E. Harris & Associates, Inc.*  
June 25, 2012



UNION TOWNSHIP  
AUGLAIZE COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>			
Property and Other Local Taxes	\$ 29,644	\$ 105,251	\$ 134,895
Licenses, Permits and Fees	1,675	-	1,675
Intergovernmental	24,285	112,637	136,922
Total Receipts	<u>55,604</u>	<u>217,888</u>	<u>273,492</u>
<b>Disbursements</b>			
Current:			
General Government	50,631	1,892	52,523
Public Safety	-	53,000	53,000
Public Works	-	169,630	169,630
Health	4,300	-	4,300
Capital Outlay	-	7,600	7,600
Debt Service			
Principal Retirement	-	20,000	20,000
Interest and Fiscal Charges	-	1,903	1,903
Total Disbursements	<u>54,931</u>	<u>254,025</u>	<u>308,956</u>
Receipts Over (Under) Disbursements	673	(36,137)	(35,464)
Other Financing Sources (Uses)			
Other Financing Sources	375	415	790
Total Other Financing Sources (Uses)	<u>375</u>	<u>415</u>	<u>790</u>
Net Change in Fund Balances	1,048	(35,722)	(34,674)
Fund Balances Beginning of Year	<u>34,517</u>	<u>190,358</u>	<u>224,875</u>
Fund Balances			
Restricted	-	154,636	154,636
Unassigned	<u>35,565</u>	<u>-</u>	<u>35,565</u>
Fund Balances End of Year	<u>\$ 35,565</u>	<u>\$ 154,636</u>	<u>\$ 190,201</u>

See accompanying notes to the financial statements

UNION TOWNSHIP  
AUGLAIZE COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>			
Property and Other Local Taxes	\$ 34,943	\$ 122,632	\$ 157,575
Charges for Services	-	499	499
Licenses, Permits and Fees	1,250	-	1,250
Intergovernmental	18,468	104,989	123,457
<b>Total Receipts</b>	<u>54,661</u>	<u>228,120</u>	<u>282,781</u>
<b>Disbursements</b>			
Current:			
General Government	51,344	1,456	52,800
Public Safety	-	61,199	61,199
Public Works	-	146,160	146,160
Health	3,685	-	3,685
Capital Outlay	246	4,900	5,146
Debt Service			
Principal Retirement	-	20,000	20,000
Interest and Fiscal Charges	-	2,751	2,751
<b>Total Disbursements</b>	<u>55,275</u>	<u>236,466</u>	<u>291,741</u>
Receipts Over (Under) Disbursements	(614)	(8,346)	(8,960)
Other Financing Sources (Uses)			
Other Financing Sources	141	-	141
<b>Total Other Financing Sources (Uses)</b>	<u>141</u>	<u>-</u>	<u>141</u>
Net Change in Fund Balances	(473)	(8,346)	(8,819)
Fund Balances Beginning of Year	<u>34,990</u>	<u>198,704</u>	<u>233,694</u>
Fund Balances End of Year	<u>\$ 34,517</u>	<u>\$ 190,358</u>	<u>\$ 224,875</u>

See accompanying notes to the financial statements

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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, Auglaize 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 Uniopolis Volunteer Fire Department to provide fire protection services. The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 provides additional information.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

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

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

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

Fire District Fund – This fund receives tax revenue for fire protection services.

**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. Appropriations lapse at year end.

**2. 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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**F. 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.

**G. Fund Balances**

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

**Nonspendable**

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted**

Fund balance is reported as 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**

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned**

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**G. Fund Balances (continued)**

**Unassigned**

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

**2. Change in Accounting Principle**

For fiscal year 2011, the Board has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of certain funds or the restatement of the Board's financial statements.

**3. Equity in Pooled Deposits and Investments**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 190,201	\$ 224,875

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,539	\$ 55,979	\$ (13,560)
Special Revenue	243,391	218,303	(25,088)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 104,056	\$ 54,931	\$ 49,125
Special Revenue	433,749	254,025	179,724

2010 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,545	\$ 54,802	\$ (24,743)
Special Revenue	268,147	228,120	(40,027)
Capital Projects	83,900	-	(83,900)

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 121,395	\$ 55,275	\$ 66,120
Special Revenue	459,990	236,466	223,524
Capital Projects	83,900	-	83,900

**5. 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  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. 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.

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$ 30,000	4.19%
Total	<u>\$ 30,000</u>	

The loan was for a dump truck during 2008. The loan will be repaid in semiannual installments of \$10,000 plus interest. The interest rate on this loan is fixed at 4.19 %. A final payment of the entire unpaid balance will be due on April 30, 2013.

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

<u>Year ending December 31:</u>	<u>Truck Loan</u>
2012	\$ 21,048
2013	<u>10,210</u>
Total	<u>\$ 31,258</u>

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

**8. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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



**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (continued)**

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

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2011, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**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	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$ 25,367,373</u>	<u>\$ 25,190,528</u>

At December 31, 2011 and 2010, respectively, liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 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 collectible in future years is approximately \$5,518.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (continued)**

<u>Contributions to OTARMA</u>		
2010	\$	7,466
2011	\$	7,127

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settled claims have not exceeded commercial coverage in the past two years. Also, there has been no significant reduction in coverages from last year.

**9. Contingent Liabilities/Subsequent Events**

Management believes there are no pending claims or lawsuits.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

Union Township  
Auglaize County  
15054 State Route 65  
Wapakoneta, Ohio 45845

To the Board of Trustees:

We have audited the financial statements of Union Township, Auglaize County (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 25, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As described in Note 4, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described 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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Township in a separate letter dated June 25, 2012.

We intend this report solely for the information and use of management, the audit committee, the Township Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

*Charles E. Harris & Associates*

*Charles E. Harris & Associates, Inc.*

June 25, 2012

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001  
Material Weakness**

**Recording of Financial Activity**

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Township's 2011 accounting records and financial statements had expenditure classification errors of \$21,903 in the Special Revenue Gasoline Tax fund. In 2010, the Township's accounting records and financial statements had expenditure classification errors of \$22,751 in the Special Revenue Gasoline Tax fund. The classification errors consisted of but were not limited to the improper recording of debt service payments. The financial statements have been reclassified to correct the above errors and the Township has agreed with the reclassifications.

The failure to correctly record revenues and expenditures could not only impact users' understanding of the financial operations; it also inhibited the Township's Trustees and management's ability to make sound financial decisions, and may impact the Township's ability to comply with budgetary laws.

The Township should review the Ohio Township Manual for guidance in the recording of revenues and expenditures. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify recording errors.

**Officials' Response:**

We received no response to the finding above.

**UNION TOWNSHIP  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Contrary to <b>Ohio Rev. Code §5705.36 (A)(4) and (5)</b> , the Township had appropriations greater than total actual resources at the legal level of control.	Yes	No Longer Valid
2009-002	Contrary to <b>Ohio Rev. Code §5705.39</b> , the Township had appropriations greater than total estimated resources.	No	Repeated in Management Letter
2009-003	Contrary to <b>Ohio Rev. Code §5705.40</b> , the Township posted an appropriation amendment without the Board approval.	Yes	No Longer Valid
2009-004	Contrary to <b>Ohio Rev. Code §5705.41(B)</b> , the Township had actual expenditures greater than appropriations at the legal level of control.	Yes	No Longer Valid
2009-005	The Township made several incorrect accounting transactions.	No	Repeated as 2011-001



# Dave Yost • Auditor of State

UNION TOWNSHIP

AUGLAIZE 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  
OCTOBER 23, 2012