



Dave Yost • Auditor of State

**UNION TOWNSHIP
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Union Township
Mercer County
PO Box 37
Mendon, Ohio 45862

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Union Township, Mercer County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 Principle

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 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Union Township, Mercer County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As described in Note 2, Union Township restated their beginning fund balances for Special Revenue Fund Type and Capital Project Fund Type as of January 1, 2012. Our opinion is not modified with respect to this matter

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 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

April 2, 2014

**UNION TOWNSHIP
MERCER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$15,071	\$74,263	\$89,334
Licenses, Permits and Fees		2,625	2,625
Intergovernmental	45,813	112,927	158,740
Earnings on Investments	85	25	110
Miscellaneous	3,559	5,986	9,545
Total Cash Receipts	<u>64,528</u>	<u>195,826</u>	<u>260,354</u>
Cash Disbursements:			
Current:			
General Government	27,999	3,467	31,466
Public Safety	1,270	47,304	48,574
Public Works		111,391	111,391
Health	18,178	1,535	19,713
Capital Outlay		1,493	1,493
Debt Service:			
Principal Retirement	8,746	10,597	19,343
Interest and Fiscal Charges	1,454	1,762	3,216
Total Cash Disbursements	<u>57,647</u>	<u>177,549</u>	<u>235,196</u>
Excess of Receipts Over (Under) Disbursements	<u>6,881</u>	<u>18,277</u>	<u>25,158</u>
Fund Cash Balances, January 1	<u>81,806</u>	<u>101,132</u>	<u>182,938</u>
Fund Cash Balances, December 31:			
Restricted		84,702	84,702
Committed		34,707	34,707
Unassigned (Deficit)	88,687		88,687
Fund Cash Balances, December 31	<u>\$88,687</u>	<u>\$119,409</u>	<u>\$208,096</u>

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

**UNION TOWNSHIP
MERCER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$14,171	\$70,302		\$84,473
Licenses, Permits and Fees		4,730		4,730
Intergovernmental	80,634	122,610	\$31,629	234,873
Earnings on Investments	96	6		102
Miscellaneous	2,123	5,361		7,484
Total Cash Receipts	<u>97,024</u>	<u>203,009</u>	<u>31,629</u>	<u>331,662</u>
Cash Disbursements:				
Current:				
General Government	34,187	5,136		39,323
Public Safety		44,701		44,701
Public Works		128,651	31,629	160,280
Health	16,820			16,820
Capital Outlay		10,341		10,341
Debt Service:				
Principal Retirement		17,958		17,958
Interest and Fiscal Charges		4,601		4,601
Total Cash Disbursements	<u>51,007</u>	<u>211,388</u>	<u>31,629</u>	<u>294,024</u>
Excess of Receipts Over (Under) Disbursements	<u>46,017</u>	<u>(8,379)</u>		<u>37,638</u>
Fund Cash Balances, January 1 (Restated)	<u>35,789</u>	<u>109,511</u>		<u>145,300</u>
Fund Cash Balances, December 31:				
Restricted		72,694		72,694
Committed		28,438		28,438
Unassigned (Deficit)	81,806			81,806
Fund Cash Balances, December 31	<u>\$81,806</u>	<u>\$101,132</u>	<u>\$0</u>	<u>\$182,938</u>

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

**UNION TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Union Township, Mercer 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 Mendon-Union Fire Department Inc. to provide fire services and Mercer County Emergency Medical Services, Inc. to provide ambulance services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 8 to the financial statements provides additional information for the risk pool membership.

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

B. Accounting Basis

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

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

C. Deposits

The Township invests all available funds of the Township in an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**UNION TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Special Levy Fire Fund – This fund receives tax levy monies to pay for fire services.

3. 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 funds:

Public Works Project – This fund receives OPWC money for construction and repair of Township Roads.

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.

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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

**UNION TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

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.

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.

**UNION TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. RESTATEMENT OF FUND BALANCE

In the prior audit, the Township Fire Department Building Fund was previously recorded as a Capital Project Fund. This fund was eliminated and the revenues, expenditures and fund balance from the Fire Department Building Fund were allocated back to the Special Revenue funds that paid into the Fire Department Building Fund. This had the following effect on fund balances previously reported:

	Fund Balance at January 1, 2012	Restatement	Restated Fund Balance at January 1, 2012
Special Revenue	\$103,764	\$5,747	\$109,511
Capital Project	\$ 5,747	(5,747)	

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand deposits	\$208,096	\$182,938
Total deposits	\$208,096	\$182,938

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,270	\$64,528	\$12,258
Special Revenue	189,361	195,826	6,465
Total	\$241,631	\$260,354	\$18,723

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,742	\$57,647	\$33,095
Special Revenue	285,629	177,549	108,080
Total	\$376,371	\$235,196	\$141,175

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,861	\$97,024	\$52,163
Special Revenue	186,875	203,009	16,134
Capital Projects	31,630	31,629	(1)
Total	\$263,366	\$331,662	\$68,296

**UNION TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,625	\$51,007	\$29,618
Special Revenue	295,764	211,388	84,376
Capital Projects	31,630	31,629	1
Total	\$408,019	\$294,024	\$113,995

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.

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, 2013 was as follows:

	Principal	Interest Rate
Dump Truck Lease	\$62,699	3.62%

The Township entered into a lease to own program for the purchase of a dump truck at the offer price of \$122,400 and made a down payment of \$22,400 with \$100,000 being financed under the lease to own agreement.

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

Year ending December 31:	Dump Truck Lease
2014	\$22,559
2015	22,559
2016	22,559
Total	\$67,677

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**UNION TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. 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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

B. 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Assets	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,302.

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
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
<u>\$9,093</u>	<u>\$9,343</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

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Dave Yost • Auditor of State

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

Union Township
Mercer County
PO Box 37
Mendon, Ohio 45862

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 the Union Township, Mercer County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated April 2, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. Also as disclosed in Note 2, the Township restated the fund balances for the Special Revenue Fund Type and Capital Project Fund Type as of January 1, 2012.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 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, 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*.

Entity's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

April 2, 2014

**UNION TOWNSHIP
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Classification of Transactions - Material Weakness

Transactions were posted to the general ledger and annual report; however, not all transactions were posted to the correct line item accounts. The following items were not properly posted during 2013 and 2012:

- The 2013 and 2012 revenues from the opening and closing of graves were posted to the General Fund instead of the Cemetery Fund which resulted in a revenue adjustment in 2013 and 2012 of \$2,400 and \$3,800, respectively from the General Fund to the Cemetery Fund.
- The 2013 and 2012 lease payments were not properly classified. In 2012, a reclassification of the Special Revenue Fund capital outlay line item of \$22,559 was made to \$17,958 of principal payments and \$4,601 of interest payments. In 2013, a \$10,200 reclassification in the General Fund was made from the capital outlay line item to \$8,746 in principal payments and \$1,454 in interest payments and in the Special Revenue Fund, \$12,359 was reclassified from the capital outlay line item to \$10,597 in principal payments and \$1,762 in interest payments.
- In 2012 and 2013, the breakdown of insurance payments did not follow the salaries breakdown. These errors resulted in audit adjustments in 2012 to decrease the General Fund balance by \$358, increase the Road and Bridge Fund balance by \$1,548 and decrease the Gasoline Tax Fund balance by \$1,190. In 2013, the audit adjustment was an increase to Road and Bridge Fund by \$1,385 and a decrease to Gasoline Tax Fund by \$1,385.
- The Fire Department Building fund was moved back to a Special Revenue Fund Type. The revenue paid out resulted in increases to the Special Revenue Fund of \$3,500 and \$3,500, disbursements of \$4,060 and \$4,160, and beginning of fund balance of \$5,087 and \$5,747 for 2013 and 2012 respectively.
- In 2012 the GASB 54 fund classification for the General Fund should have been 100% unassigned fund balance which resulted in adjustments to reclassify the \$17,850 committed fund balance and the \$21,000 in assigned fund balance. Also, the Special Revenue Fund committed fund balance of \$65,347 and assigned fund balance of \$5 were also reclassified to the restricted fund balance category.

The 2013 and 2012 annual reports required audit adjustments and reclassifications for proper presentation. The adjustments are reflected on the accompanying financial statement and have been posted to the Township's records.

The Township fiscal officer should review the Township Handbook for proper posting and use due care in preparation of the annual report. The Township fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Township's chart of accounts.

Official's Response:

Items have been corrected. Fund balance adjustments completed along with Fire Department Building balance is \$0. GASB 54 will be reviewed for 2014 annual financial reporting.

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Dave Yost • Auditor of State

UNION TOWNSHIP

MERCER 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
MAY 8, 2014**