



Mary Taylor, CPA  
Auditor of State



**UNION TOWNSHIP  
LAWRENCE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Union Township  
Lawrence County  
1121 Third Street  
P.O. Box 757  
Chesapeake, Ohio 45619

To the Board of Township Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits

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**Mary Taylor, CPA**  
Auditor of State

September 27, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Union Township  
Lawrence County  
1121 Third Street  
P.O. Box 757  
Chesapeake, Ohio 45619

To the Board of Township Trustees:

We have audited the accompanying financial statements of Union Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. 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 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. 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 new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements.

Since this Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, 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 of Union Township, Lawrence County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007, 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. 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 the 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.



**Mary Taylor, CPA**  
Auditor of State

September 27, 2007



**UNION TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$40,407	\$112,122	\$152,529
Intergovernmental	32,795	111,778	144,573
Licenses, Permits, and Fees	50,320		50,320
Earnings on Investments	2,359	784	3,143
Other Revenue	2,376	7,961	10,337
	<u>128,257</u>	<u>232,645</u>	<u>360,902</u>
<b>Total Cash Receipts</b>			
	<u>128,257</u>	<u>232,645</u>	<u>360,902</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	105,937	173	106,110
Public Safety	200	65,776	65,976
Public Works		220,393	220,393
Debt Service:			
Redemption of Principal		21,299	21,299
Interest and Fiscal Charges		9,474	9,474
	<u>106,137</u>	<u>317,115</u>	<u>423,252</u>
<b>Total Cash Disbursements</b>			
	<u>106,137</u>	<u>317,115</u>	<u>423,252</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>22,120</u>	<u>(84,470)</u>	<u>(62,350)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	22,120	(84,470)	(62,350)
Fund Cash Balances, January 1	<u>71,728</u>	<u>344,181</u>	<u>415,909</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$93,848</b></u>	<u><b>\$259,711</b></u>	<u><b>\$353,559</b></u>

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

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$36,129	\$115,391	\$151,520
Intergovernmental	30,047	103,068	133,115
Licenses, Permits, and Fees	48,459		48,459
Earnings on Investments	2,178	685	2,863
Other Revenue	4,433	6,974	11,407
	<u>121,246</u>	<u>226,118</u>	<u>347,364</u>
<b>Total Cash Receipts</b>			
	121,246	226,118	347,364
<b>Cash Disbursements:</b>			
Current:			
General Government	109,663		109,663
Public Safety		47,914	47,914
Public Works		109,603	109,603
Debt Service:			
Redemption of Principal	17,679		17,679
Interest and Fiscal Charges	1,033		1,033
	<u>128,375</u>	<u>157,517</u>	<u>285,892</u>
<b>Total Cash Disbursements</b>			
	128,375	157,517	285,892
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(7,129)</u>	<u>68,601</u>	<u>61,472</u>
	(7,129)	68,601	61,472
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(7,129)</u>	<u>68,601</u>	<u>61,472</u>
	(7,129)	68,601	61,472
<b>Fund Cash Balances, January 1</b>	<u>78,857</u>	<u>275,580</u>	<u>354,437</u>
	78,857	275,580	354,437
<b>Fund Cash Balances, December 31</b>	<u><u>\$71,728</u></u>	<u><u>\$344,181</u></u>	<u><u>\$415,909</u></u>
	\$71,728	\$344,181	\$415,909

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

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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, Lawrence 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, and fire protection. The Township contracts with the Union Township Fire Department and the Proctorville Fire Department to provide fire services.

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. Cash**

The Township invests all available funds 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 reports all financial resources except those required to be accounted for in another fund.

**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.

Fire District Fund – This fund receives tax money for the purpose of providing fire protection to the Township.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**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 re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**E. 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.

**2. Equity in Pooled Cash**

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$353,559	\$415,909

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

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,067	\$128,257	\$31,190
Special Revenue	222,922	232,645	9,723
Total	\$319,989	\$360,902	\$40,913

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,795	\$106,137	\$62,658
Special Revenue	565,891	317,115	248,776
Total	\$734,686	\$423,252	\$311,434

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,000	\$121,246	\$3,246
Special Revenue	216,500	226,118	9,618
Total	\$334,500	\$347,364	\$12,864

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,455	\$128,375	\$29,080
Special Revenue	481,105	157,517	323,588
Total	\$638,560	\$285,892	\$352,668

**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.

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  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Fire Truck Lease Purchase Agreement	\$177,759	4.75%

The Township entered into a lease purchase agreement for the purchase of a new fire truck.

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

	Lease Purchase Agreement
Year ending December 31:	
2006	\$24,732
2007	24,732
2008	24,732
2009	24,732
2010	24,732
2011-2014	98,927
Total	\$222,586

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Township contributed an amount equaling 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**7. 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. Risk Management (Continued)**

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$25,612. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b><u>Township Contributions to OTARMA</u></b>	
2003	\$10,293.67
2004	\$11,184.00
2005	\$12,806.00

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 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 was incurred or reported prior to the withdrawal.





# Mary Taylor, CPA

Auditor of State

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

Union Township  
Lawrence County  
1121 Third Street  
P.O. Box 757  
Chesapeake, Ohio 45619

To the Township Board of Trustees:

We have audited the financial statements of Union Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 27, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-001 through 2005-008 listed above to be material weaknesses. In a separate letter to the Township's management dated September 27, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-006. In a separate letter to the Township's management dated September 27, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use management and the Board of Township Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 27, 2007

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 149.351 (A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During 2005, 10% of expenditures had no supporting documentation. 4% of expenditures during 2005 could not be determined to be for a proper public purpose due to lack of supporting documentation. During 2004, 15% of expenditures had no supporting documentation. 12% of expenditures during 2004 could not be determined to be for a proper public purpose due to lack of supporting documentation.

This resulted in auditing difficulty and increased testing time for expenditures that are reflected on the financial report.

We recommend that all records be maintained for audit purposes and that no disbursements are made unless supporting documentation is available.

**FINDING NUMBER 2005-002**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 507.04 (A) provides, in part, that the Township Fiscal Officer shall keep an accurate record of the proceedings of the Board of Township Trustees at all of its meeting, and of all its accounts and transactions.

There were no minutes presented for meetings taking place from January – October, 2004. There was no indication that financial statements were approved by the Board of Trustees. Bills were approved on some occasions; however, there was no indication of what months' bills were being approved by the Board. Permanent appropriations, budgets, and other relevant budgetary action were not approved by the Board.

Without a full account of action taken by the Board, it cannot be determined if all actions taken on behalf of the Township are legal and allowable. If financial statements are not approved by the Board the entity leaves itself open to fraudulent activity. Without approved budgetary items the entity will be in noncompliance with the State.

We recommend the Township Fiscal Officer keep an accurate record of the proceedings of the Board of Township Trustees at all of its meetings, and of all its accounts and transactions. Also, although not a requirement for general meetings, the Fiscal Officer should consider documenting the vote of each Trustee for each action.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS(Continued)</b>
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**FINDING NUMBER 2005-003**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 5747.07 (B) (4) states that an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Ohio Rev. Code § 5747.07 (E) (2) requires that in addition to other returns required to be filed and payments made under this section, every employer require to deduct and withhold taxes shall file, not later than the thirty-first day of January each year, an annual return covering but not limited to, both the aggregate amount deducted and withheld and the aggregate amount required to be deducted and withheld during the entire preceding year for the tax imposed under section 5747.02 of the Revised Code. At the time of filing the return, the employer shall pay over any amounts of undeposited taxes for the preceding year, whether actually deducted and withheld or required to be deducted and withheld that have not been previously paid. The employer shall make the annual report, to each employee and to the tax commissioner, of the compensation paid and each tax withheld, as the commissioner by rule may prescribe

The Township did not pay any state withholding taxes for the audit period. The UAN system shows that checks were written; however, after contact with Jackie Hetrick at the State Tax Department it was found that Union Township has not remitted tax payments since September of 2003. During our audit period this results in total payments of \$2,918.75. This could result in the employees of the entity having to pay back any returns they received, and the entity having to pay the taxes that are due as of December 31, 2005.

We recommend that the Clerk remit State taxes withheld. We also recommend that the Township maintain documentation that these amounts were remitted. This matter will be referred to the Ohio Department of Taxation.

**FINDING NUMBER 2005-004**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code §145.47 states, in part, that the fiscal officer of each local authority shall transmit promptly to the Public Employees Retirement System a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions. Ohio Rev. Code § 145.48 (A) states that each employer shall pay to the system an amount that shall be a certain percent of the earnable salary of all contributors to be know as the "employer contribution."

The Township did not make timely payments of pension amounts; however the amount was withheld by PERS and remitted by the County Auditor from the Township's 2<sup>nd</sup> Half Real Estate County Tax Settlement. No penalties were paid by the Township.

We recommend that employees' withholdings and the corresponding employer's share be paid and reports filed in a timely manner.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-005**

**Noncompliance Citation/Material Weakness**

Ohio Revised Code § 505.601 states if a board of township trustees does not procure an insurance policy or group policy or group health care services as provided in Ohio Rev. Code Section 505.60, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in Ohio Rev. Code Section 505.60 (A) that the officer or employee otherwise obtains, if all of the following conditions are met:

- (A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under Ohio Rev. Code Section 505.60 and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in Ohio Rev. Code Section 505.60 (A) that they otherwise obtain.
- (B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.
- (C) That resolution states the specific benefits listed in Ohio Rev. Code Section 505.60 (A) for which the township will reimburse all officers and employees. The Township may not reimburse officers and employees for benefits other than those listed in Ohio Rev. Code Section 505.60 (A).

During 2004 and 2005, Trustees and employees were reimbursed for out-of-pocket premiums for their health care insurance. The Township resolution stated that the Trustees/employees could be reimbursed the maximum that the Ohio Law allows. Without a proper policy in place, the Township could reimburse employees and elected officials too much during the year.

We recommend that if the Township Trustees want to continue offering insurance reimbursement to elected officials and/or employees that they pass a resolution and that said resolution meets all of the conditions mentioned above. The Township Trustees should be more specific as to the amount they will reimburse each individual for out-of-pocket insurance expenses. They should also ensure that proper supporting documentation is obtained to support the actual reimbursement.

**FINDING NUMBER 2005-006**

**Noncompliance Citation/Material Weakness**

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

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

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-006 (Continued)**

**Noncompliance Citation/Material Weakness - Ohio Rev. Code § 5705.41(D)(1) (Continued)**

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

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

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 2004 and 2005, forty-two percent and forty-four percent, respectively, of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Township officials and employees obtain the Township Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41 (D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41 (D) are satisfied. The Township Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS(Continued)</b>
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**FINDING NUMBER 2005-007**

**Material Weakness - Approval of Financial Data and Disbursements**

The small size of the Township's staff does not allow for an adequate segregation of duties. The Clerk must perform all accounting functions. It is, therefore, important that the Board of Trustees monitor financial activity closely.

While it was rarely noted in the minutes that bills were approved, on the occasions that it was noted only one instance indicated which bills were being approved. There was no documentation of the extent to which the Board used other financial information to monitor financial activity. In addition, it was not noted that anything was approved by the Board of Trustees.

This could result in the Trustees not monitoring the financial and budgetary activity of the Township.

We recommend that the Fiscal Officer prepare monthly bank reconciliation and provide the Board a copy of the monthly bank reconciliation for at least a signature approval. Also we recommend the Clerk provide the Trustees with a monthly financial report which includes month and year to date receipts and disbursements, prior year to date receipts and disbursements and the budgetary information. The Board should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township.

This information can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures
- Are expenditures in line with prior year costs
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted
- Are anticipated receipts being timely received; and
- Is the Township maximizing its return on invested cash balances

Trustees should approve the reports with their signatures and utilize the information provided to monitor budget vs. actual receipts and disbursements and compare current financial information with prior year financial information.

**FINDING NUMBER 2005-008**

**Material Weakness – Remittance of Checks**

When checks are written for proper public purpose and have been signed and approved by all required personnel they are to be remitted to the agency they are intended for.

There is significant support that the Clerk is holding checks after they are written and recorded in the system. Of the disbursements tested, there were 16% in 2004 and 9% in 2005 where the date the check cleared the bank was more than a month after the date written. These checks were not for individuals instead for businesses. In addition to these, we found that 8 state withholding checks were recorded in the system and never cleared. These checks represent all quarters of payment for 2004 and 2005. Also, there were checks written to PERS that were outstanding as of December 31, 2005, and these were also recorded in the system. These amounts were eventually withheld from the county tax settlement amounts.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS(Continued)</b>
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**FINDING NUMBER 2005-008 (Continued)**

**Material Weakness – Remittance of Checks (Continued)**

See following breakdown for all checks cleared longer than a month after the check was written and recorded, or the checks were still outstanding at year end:

	2004	2005
State Tax Payments	\$ 1,487.76	\$ 1,430.99
Per Non Payroll Test	22,652.52	23,563.07
Per Outstanding Checks	6,705.27	29,395.80

This causes payments not to be made in a timely manner and it misstates the financial condition of the Township.

We recommend that once checks are fully prepared that they be sent to the intended party and not held for any period of time.

We did not receive a response from Officials' to the findings above.



**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Revised Code 149.351(A), Township did not provide supporting documentation for expenditures. Finding for Recovery issued against the Fiscal Officer in the amount of \$53,601.53.	No	Not Corrected, The Township Fiscal Officer did not pay the finding.





Mary Taylor, CPA  
Auditor of State

UNION TOWNSHIP  
LAWRENCE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 8, 2007