



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

January 13, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

**This Page is Intentionally Left Blank.**

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	25

**This page intentionally left blank.**



Mary Taylor, CPA  
Auditor of State

Union Township  
Lawrence County  
P.O. Box 248  
Chesapeake, Ohio 45619

To the Board of 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 23, 2010

**This page intentionally left blank.**





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Union Township  
Lawrence County  
P.O. Box 248  
Chesapeake, Ohio 45619

To the Board of 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, 2009 and 2008. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships 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, 2009 and 2008 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, 2009 and 2008 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, Ohio as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 December 23, 2010, 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

December 23, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$47,087	\$125,875		\$172,962
Licenses, Permits, and Fees	85,917			85,917
Intergovernmental	41,624	134,673	\$42,081	218,378
Earnings on Investments	804	78		882
Miscellaneous	5,153	434		5,587
	<u>180,585</u>	<u>261,060</u>	<u>42,081</u>	<u>483,726</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	141,921			141,921
Public Safety	3,043	60,093		63,136
Public Works	3,052	225,769		228,821
Human Services	1,636			1,636
Conservation - Recreation	135			135
Capital Outlay	51,431	4,221	42,081	97,733
Debt Service:				
Redemption of Principal		27,981		27,981
Interest and Other Fiscal Charges		8,620		8,620
	<u>201,218</u>	<u>326,684</u>	<u>42,081</u>	<u>569,983</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(20,633)	(65,624)	0	(86,257)
<b>Other Financing Receipts / (Disbursements):</b>				
Other Debt Proceeds	13,911			13,911
Transfers-In		60,000		60,000
Transfers-Out	(60,000)			(60,000)
Advances-In		220,000		220,000
Advances-Out		(220,000)		(220,000)
Other Financing Sources		11,991		11,991
	<u>(46,089)</u>	<u>71,991</u>	<u>0</u>	<u>25,902</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(66,722)	6,367	0	(60,355)
Fund Cash Balances, January 1	180,570	228,857	0	409,427
<b>Fund Cash Balances, December 31</b>	<u><u>\$113,848</u></u>	<u><u>\$235,224</u></u>	<u><u>\$0</u></u>	<u><u>\$349,072</u></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, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$47,792	\$126,005		\$173,797
Licenses, Permits, and Fees	49,256			49,256
Intergovernmental	128,723	136,147	\$23,400	288,270
Earnings on Investments	2,189	250		2,439
Miscellaneous	8,919	2,140		11,059
	<b>236,879</b>	<b>264,542</b>	<b>23,400</b>	<b>524,821</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	134,430			134,430
Public Safety	1,000	48,651		49,651
Public Works		202,153		202,153
Human Services	1,614			1,614
Conservation - Recreation	112			112
Capital Outlay	64,600	4,347	23,400	92,347
Debt Service:				
Redemption of Principal		26,354		26,354
Interest and Other Fiscal Charges		10,247		10,247
	<b>201,756</b>	<b>291,752</b>	<b>23,400</b>	<b>516,908</b>
Total Cash Receipts Over/(Under) Cash Disbursements	35,123	(27,210)	0	7,913
Fund Cash Balances, January 1	145,447	256,067	0	401,514
<b>Fund Cash Balances, December 31</b>	<b>\$180,570</b>	<b>\$228,857</b>	<b>\$0</b>	<b>\$409,427</b>

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

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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, 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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 in an interest bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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 for constructing, maintaining, and repairing Township roads.

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

**3. Capital Projects Funds**

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

Joint Resurfacing Project Fund - This fund received State Issue II receipts for joint resurfacing projects.

**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. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

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:

	2009	2008
Demand deposits	\$349,072	\$409,427

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,169	\$194,496	\$25,327
Special Revenue	271,862	333,051	61,189
Capital Projects		42,081	42,081
Total	\$441,031	\$569,628	\$128,597

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,965	\$261,218	\$14,747
Special Revenue	461,325	326,684	134,641
Capital Projects		42,081	(42,081)
Total	\$737,290	\$629,983	\$107,307

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,700	\$236,879	\$77,179
Special Revenue	273,742	264,542	(9,200)
Capital Projects		23,400	23,400
Total	\$433,442	\$524,821	\$91,379

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$299,198	\$201,756	\$97,442
Special Revenue	496,600	291,752	204,848
Capital Projects		23,400	(23,400)
Total	\$795,798	\$516,908	\$278,890

Contrary to Ohio Law, the Township made an advance of funds from one fund to another for which there was not statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

Also contrary to Ohio Law, the Township did not encumber all commitments required by Ohio law.



**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Township Board of Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Lease Purchase Agreement	\$107,819	4.75%
John Deere Tractor Promissory Note	10,777	8.50%
GMC Sierra Installment Note	13,911	5.58%
Total:	<u>\$132,507</u>	

During 2004, the Township entered into a lease purchase agreement for the purchase of a new fire truck.

On February 16, 2007, the Township signed a promissory note in the principal amount of \$47,721 at an interest rate of 8.5% to pay the balance owed to John Deere Government and National Sales resulting from the 2006 purchase of a new John Deere Tractor for an amount of \$59,721 after trade-in and discounts in which the Township paid \$12,000 in August 2006 to reduce the amount to \$47,721.

On December 1, 2009, the Township entered into an installment note and security agreement with PNC Bank, National Association for the purchase of a 2007 GMC Sierra in the amount of \$13,911 at the rate of 5.58% per annum.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	Lease Purchase Agreement	Tractor Promissory Note	GMC Sierra Installment Note
2010	\$24,732	\$11,869	\$5,047
2011	24,732	11,869	5,047
2012	24,732		5,047
2013	24,732		
2014	24,732		
Total	<u>\$123,660</u>	<u>\$23,738</u>	<u>\$15,141</u>

**6. Retirement System**

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 these plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

**7. Risk Management**

**Risk Pool Membership**

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. 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.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

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, 2009, 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$12,309.

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.

<u>Contributions to OTARMA</u>	
<u>2009</u>	<u>2008</u>
\$11,229	\$10,674

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

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.

**8. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# 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  
P.O. Box 248  
Chesapeake, Ohio 45619

To the Board of Trustees:

We have audited the financial statements of Union Township, Lawrence County, Ohio (the Township), as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated December 23, 2010, 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. We also noted 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. 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 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 as a basis for designing our audit 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 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 2009-006 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 23, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

December 23, 2010

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2009-001**

**Noncompliance Citation**

Ohio Rev. Code Section 135.18(A) states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under Sections 135.01 to 135.21 of the Revised Code, except as provided in Section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities, among others.

Per scanning bank statements for the audit period, we note that on June 30, 2009 the bank balance was \$519,607. In addition, we noted two other occurrences during the audit period in which the bank balance exceeded \$500,000. National City bank (The Township's Financial Institution) provides pooled securities as security for funds on deposit, however, the National City Bank Depository Agreement for the time period beginning July 8, 2006 and ending July 7, 2011 indicates it will accept for deposit and safekeeping the maximum sum of \$500,000 or any part thereof of the interim deposits of said subdivision. The Township only has one bank account which would represent active deposits. As a result, at June 30, 2009, \$19,607 of the Township's funds were deemed uninsured and uncollateralized. In addition, at any point in which the Township's bank account exceeded \$500,000, the excess would be uninsured and uncollateralized.

Further, there was no support on file to indicate that the depository agreement had been signed by the Township Officials which could subject all of the Township's funds in excess of \$250,000 to being uninsured and uncollateralized. In addition, the township provided no pledge/pooled collateral statements.

We recommend the Board of Township Trustees require its depository to provide as security an amount equal to the funds on deposit at all times.

**Official's Response:**

The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require payment within the current or succeeding year and cash advances are subject to the following requirements, as outlined in Auditor of State Bulletin 97-003:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (See ORC 5705.14, 5705.15, and 5705.16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

During 2009, an advance in the amount of \$110,000 was made from the Fire District Fund (2111) to the Gasoline Tax Fund (2021) for a payment to South Central Construction representing Chip Seal project payments. There is no evidence that the creditor funds' purpose for these advances were consistent with the debtor funds' purposes since Fire District Fund (2111) monies are not allowable for chip and seal projects. Further, this transaction was not pre-approved in the Township's minute record by the Board of Trustees.

Although the advance from the Fire District Fund (2111) to the Gasoline Tax Fund (2021) was repaid during 2009 via an advance of \$110,000 from the Gasoline Tax Fund (2021) to the Fire District Fund (2111) on December 31, 2009; this could result in monies being used for unallowable purposes.



**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.10 (Continued)**

We recommend the Township Fiscal Officer review Ohio Compliance Supplement Sections 1-24 Transfer of Funds, 1-25 Advances, and Auditor of State Bulletin 97-003 regarding advances to ensure future advances and transfers of monies are made in accordance with legislative requirements and requirements outlined in the bulletin. We further recommend that advances and transfers of funds be pre-approved by the Board of Township Trustees and recorded in the minute record.

**Official's Response:**

The Township is attempting to correct these problems before the next audit.

**FINDING NUMBER 2009-003**

**Noncompliance Citation – Ohio Rev. Code Section 5705.38**

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

For 2009, the Board of Township Trustees approved temporary appropriations on January 8, 2009. Approval of final appropriations was not recorded in the minute record. We noted however, that a copy dated March 31, 2009 was on file with the Lawrence County Auditor who certified that appropriations did not exceed available resources on June 4, 2009.

For 2008, there was no record of temporary or final appropriations in the minutes. However, an appropriation measure dated March 12, 2008 was filed with the Lawrence County Auditor who certified that appropriations did not exceed available resources on March 24, 2008.

We recommend the Board of Township Trustees approve an annual appropriation measure on or about the first day of the fiscal year. Further, approval should be recorded in the minute record and documentation should be maintained to support actual amounts approved by the Board of Township Trustees.

**Official's Response:**

The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2009-004**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it is appropriated.

Expenditures plus encumbrances exceeded appropriations at the legal level of control as follows:

December 31, 2008				
Legal Level Line Item	Appropriations	Expenditures	Variance	Percent Variance
General Fund Workers' Compensation	\$2,500	\$2,793	(\$293)	-12%
General Fund Tax Collection Fees	1,500	7,429	(5,929)	-395%
Gasolie Tax Fund Other Salaries	40,000	43,477	(3,477)	-9%
Gasoline Tax Repairs and Maintenance	5,000	9,455	(4,455)	-89%
Fire District Garbage Removal	0	1,000	(1,000)	100%
Fire District Machinery, Equipment & Furniture	25,000	29,079	(4,079)	-16%

December 31, 2009				
Legal Level Line Item	Appropriations	Expenditures	Variance	Percent Variance
Gasoline Tax Fund Operating Supplies	\$19,000	\$80,078	(\$61,078)	-321%

We recommend the Township Fiscal Officer monitor expenditures versus appropriations at the legal level of control throughout the year and not approve expenditures unless a proper amendment to appropriations has been approved by the Board of Township Trustees. *Government Accounting, Auditing, and Financial Reporting* defines the “legal level of budgetary control” as “the level at which spending in excess of budgeted amounts would be a violation of law.” In Ohio, the legal level of control is the level at which the local government’s legislative authority passes the appropriation measure. Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, division, and, within each, the amount appropriated for personal services.” We further recommend the Township Fiscal Officer monitor expenditures and not approve expenditures for which there are no appropriation amounts.

**Official’s Response:**

The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-005**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)**

Ohio Rev. Code Section 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

**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.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-005 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D) (Continued)**

During testing it was noted that 26% of transactions tested were not certified by the Township Fiscal Officer at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. These transactions represent 35% of the expenditure amount tested. 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 that no orders involving the expenditure of money be made unless the Township Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

**Official's Response:**

The Township is attempting to correct these problems before the next audit.

**FINDING NUMBER 2009-006**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Township expenditures should be posted to the proper fund and account code. Township receipts should be posted to the fund and revenue line item account codes as established by the Ohio Administrative Code.

While testing receipts of the Township, we noted several receipts which were not posted to the correct revenue line item account code and / or fund based on the source of the receipt. As a result, reclassifications and adjustments were proposed to the financial statements. We also noted expenditures which were not properly classified.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-006 (Continued)**

**Material Weakness (Continued)**

During our testing, we noted the following items for 2008:

- 2008 Excise Tax Receipt in the amount of \$5,943 was posted to the General Fund instead of the Gasoline Tax Fund;
- Second Half 2007 Personal Property Tax Settlement was posted entirely to the General Fund instead of being allocated among funds as indicated on the County Auditor's Statement of Semi-Annual Apportionment of Taxes. Total amount posted to the General Fund which should have been posted to the Road and Bridge Fund (\$161) and Fire District Fund (\$1,204) was \$1,365;
- 2008 Homestead and Rollback amount received from the state was posted entirely to the General Fund which included \$5,738 which should have been posted to the Fire Fund (\$4,270) and Road and Bridge Fund (\$1,468);
- 2008 New Auto receipt in the amount of \$1,498 was posted to the General Fund instead of the Motor Vehicle License Tax Fund;
- Grant revenues and expenditures of \$23,400 from the 2008 joint paving project with Lawrence County were not recorded on the financial statements; and
- Grant revenues and expenditures from the County's Township-County Co-Operative Road Program for 2008 in the amount of \$4,716 were not recorded.

During our testing, we noted the following items for 2009:

- 2009 Homestead and Rollback amount received from the state was posted entirely to the General Fund which included \$5,919 which should have been posted to the Fire Fund (\$4,408) and Road and Bridge Fund (\$1,511);
- First-half Manufactured Home Settlement for 2009 in the amount of \$2,005 was posted entirely to the General Fund instead of being allocated among funds as indicated on the County Auditor's Statement of Semi-Annual Apportionment of Taxes. Total amount posted to the General Fund which should have been posted to the Road and Bridge Fund (\$263) and Fire Fund (\$1,118) was \$1,381;
- Personal Property Reimbursement Settlement for 2009 in the amount of \$2,025 was posted entirely to the General Fund instead of being allocated among funds as indicated on the County Auditor's Statement of Semi-Annual Apportionment of Taxes. Total amount posted to the General Fund which should have been posted to the Road and Bridge Fund (\$150) and Fire Fund (\$1,122) was \$1,272;
- 2009 Excise Tax Receipt in the amount of \$6,060 was posted to the General Fund instead of the Gasoline Tax Fund;
- 2009 First-half Manufactured Home Homestead and Rollback was posted entirely to the General Fund which included \$87 which should have been posted to the Road and Bridge Fund (\$22) and Fire Fund (\$65);
- March 2009 Excess IRP New Auto receipt in the amount of \$483 was posted to the General Fund instead of the Motor Vehicle License Tax Fund;

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-006 (Continued)**

**Material Weakness (Continued)**

- 2009 Public Utility Deregulation Excess Settlement was posted entirely to the General Fund which included \$702 which should have been posted to the Fire Fund (\$619) and Road and Bridge Fund (\$83);
- Grant revenues and expenditures of \$42,081 from the 2009 joint paving project with Lawrence County were not recorded on the financial statements;
- Grant revenues and expenditures from the County's Township-County Co-Operative Road Program for 2009 in the amount of \$4,716 were not recorded; and
- 2009 Proceeds of debt in the amount of \$13,911 were not recorded on the financial statements and classified as revenues and expenditures.

**Other Items**

- Fund balance adjustments were made relating to voided checks which were posted to the General Fund (\$4,853) and Gasoline Tax Fund (\$2,468);
- There were several instances in which receipts and disbursements were not posted to the proper line items; and
- Debt payments were not properly recorded to interest and principal expenditures.

Adjustments and reclassification entries were required for 2008 and 2009 to properly classify revenues and expenditures and reflect fund balances. Improper posting of Township receipts and expenditures could result in material misstatement to the financial statements. Adjustments have been proposed / posted to the 2008 and 2009 financial statements as well as the Township's accounting records.

To ensure the Township's financial statements and notes to the statements are complete and accurate, we recommend the Township adopt policies and procedures, including a final review of the statements and notes by the Township Fiscal Officer and Township Board of Trustees, to identify and correct errors and omissions. We recommend the Township Fiscal Officer use due care while posting revenues and expenditures so that amounts are posted to the proper fund and revenue and / or expenditure classification codes. We further recommend the Township Fiscal Officer consult the Ohio Administrative Code or Ohio Township Handbook when monies are received to ensure these transactions are posted to the correct fund and revenue line item account code.

**Official's Response:**

The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

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>
2007-001	Ohio Rev. Code Section 135.18(A) – Security for funds on deposit.	No	Reissued in Schedule of Findings. See Finding Number 2009-001.
2007-002	Ohio Rev. Code Section 149.351(A) – Supporting documentation for expenditures .	No	Management letter comment issued.
2007-003	Ohio Rev. Code Section 5705.36 – Estimated versus actual receipts and official certificate of estimated resources.	No	Management letter comment issued.
2007-004	Ohio Rev. Code Section 5705.38(A) – Approval of annual appropriation measure.	No	Reissued in Schedule of Findings. See Finding Number 2009-003.
2007-005	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations.	No	Reissued in Schedule of Findings. See Finding Number 2009-004.
2007-006	Ohio Rev. Code Section 5705.41(D) – Not properly encumbering expenditures.	No	Reissued in Schedule of Findings. See Finding Number 2009-005.
2007-007	Significant deficiency regarding timely remittance of checks.	Yes	N/A
2007-008	Material weakness regarding financial reporting.	No	Reissued in Schedule of Findings. See Finding Number 2009-006.

**This Page is Intentionally Left Blank.**





**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  
JANUARY 13, 2011**