



**Auditor of State
Betty Montgomery**

**UNION TOWNSHIP
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Non-Expendable Trust Fund - For the Year Ended December 31, 2002	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Non-Expendable Trust Fund - For the Year Ended December 31, 2001	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Ross County
25139 State Route 104
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Union Township, Ross County, Ohio, as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Union Township
Ross County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

March 7, 2003

**UNION TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Non Expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$72,476	\$360,726	\$65,087	\$0	\$498,289
Intergovernmental	73,513	150,162	0	0	223,675
Charges for Services	0	14,108	0	0	14,108
Licenses, Permits, and Fees	0	8,356	0	0	8,356
Earnings on Investments	4,834	798	0	69	5,701
Other Revenue	7,697	8,879	0	0	16,576
	<u>158,520</u>	<u>543,029</u>	<u>65,087</u>	<u>69</u>	<u>766,705</u>
Total Cash Receipts					
	<u>158,520</u>	<u>543,029</u>	<u>65,087</u>	<u>69</u>	<u>766,705</u>
Cash Disbursements:					
Current:					
General Government	141,291	59,348	0	0	200,639
Public Safety	0	185,747	0	0	185,747
Public Works	17,688	248,551	0	0	266,239
Health	0	13,998	0	0	13,998
Miscellaneous	0	0	0	27	27
Debt Service:					
Redemption of Principal	0	0	57,240	0	57,240
Interest and Fiscal Charges	0	0	11,521	0	11,521
Capital Outlay	1,315	10,000	0	0	11,315
	<u>160,294</u>	<u>517,644</u>	<u>68,761</u>	<u>27</u>	<u>746,726</u>
Total Cash Disbursements					
	<u>160,294</u>	<u>517,644</u>	<u>68,761</u>	<u>27</u>	<u>746,726</u>
Total Receipts Over/(Under) Disbursements	<u>(1,774)</u>	<u>25,385</u>	<u>(3,674)</u>	<u>42</u>	<u>19,979</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	24,721	0	0	24,721
Transfers-Out	(24,721)	0	0	0	(24,721)
	<u>(24,721)</u>	<u>24,721</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)					
	<u>(24,721)</u>	<u>24,721</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(26,495)</u>	<u>50,106</u>	<u>(3,674)</u>	<u>42</u>	<u>19,979</u>
Fund Cash Balances, January 1	<u>83,695</u>	<u>190,774</u>	<u>4,056</u>	<u>2,298</u>	<u>280,823</u>
Fund Cash Balances, December 31	<u><u>\$57,200</u></u>	<u><u>\$240,880</u></u>	<u><u>\$382</u></u>	<u><u>\$2,340</u></u>	<u><u>\$300,802</u></u>

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

**UNION TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$63,187	\$311,248	\$69,162	\$0	\$0	\$443,597
Intergovernmental	149,145	151,720	0	70,091	0	370,956
Charges for Services	0	5,000	0	0	0	5,000
Licenses, Permits, and Fees	0	7,667	0	0	0	7,667
Earnings on Investments	6,776	1,666	0	0	104	8,546
Other Revenue	4,658	21,812	0	0	0	26,470
	<u>223,766</u>	<u>499,113</u>	<u>69,162</u>	<u>70,091</u>	<u>104</u>	<u>862,236</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
General Government	168,056	60,834	0	0	0	228,890
Public Safety	0	164,826	0	0	0	164,826
Public Works	37,242	203,401	0	70,091	0	310,734
Health	0	13,364	0	0	0	13,364
Miscellaneous	0	0	0	0	30	30
Debt Service:						
Redemption of Principal	0	0	58,610	0	0	58,610
Interest and Fiscal Charges	0	0	10,552	0	0	10,552
Capital Outlay	0	0	0	0	0	0
	<u>205,298</u>	<u>442,425</u>	<u>69,162</u>	<u>70,091</u>	<u>30</u>	<u>787,006</u>
Total Cash Disbursements						
Total Receipts Over/(Under) Disbursements	<u>18,468</u>	<u>56,688</u>	<u>0</u>	<u>0</u>	<u>74</u>	<u>75,230</u>
Other Financing Receipts and (Disbursements):						
Transfers-In	0	5,000	0	0	0	5,000
Transfers-Out	(5,000)	0	0	0	0	(5,000)
	<u>(5,000)</u>	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,468	61,688	0	0	74	75,230
Fund Cash Balances, January 1	70,227	129,086	4,056	0	2,224	205,593
Fund Cash Balances, December 31	<u><u>\$83,695</u></u>	<u><u>\$190,774</u></u>	<u><u>\$4,056</u></u>	<u><u>\$0</u></u>	<u><u>\$2,298</u></u>	<u><u>\$280,823</u></u>

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

**UNION TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Union Township, Ross County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

**UNION TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Fire Fund - This fund receives property tax money and other State grants to provide fire fighting services to the Township.

Emergency Services Levy Fund - This fund receives property tax money and other State grants to provide emergency services to the Township.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant debt service fund:

General Bond (Note) Retirement Fund - This fund receives property tax money for the retirement of Township debt.

4. Capital Projects Fund

The capital projects fund is used to accumulate resources for the acquisition of major capital projects. The Township has the following significant capital projects fund.

Issue II Fund - This fund receives intergovernmental revenue for the construction of Township roads.

5. Fiduciary Funds (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant non-expendable trust fund:

Cemetery Bequest Fund - This fund earns interest from a cemetery bequest for the upkeep of specific cemetery lots. The principal of the fund (\$2,000) is invested in a certificate of deposit.

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.

**UNION TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township. Employees are paid 50% of their rate for accrued sick leave and 100% of their rate for accrued vacation leave up to a maximum of two years worth of vacation leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$150,655	\$141,586
Certificates of Deposit	2,000	2,000
Total deposits	152,655	143,586
STAR Ohio	148,147	137,237
Total investments	148,147	137,237
Total deposits and investments	\$300,802	\$280,823

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

**UNION TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,288	\$158,520	(\$1,768)
Special Revenue	567,047	567,750	703
Debt Service	65,087	65,087	0
Fiduciary	69	69	(0)
Total	\$792,491	\$791,426	(\$1,065)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$241,677	\$185,015	\$56,662
Special Revenue	713,088	517,644	195,444
Debt Service	69,142	68,761	381
Fiduciary	30	27	3
Total	\$1,023,937	\$771,447	\$252,490

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,765	\$223,766	\$1
Special Revenue	502,907	504,113	1,206
Debt Service	69,162	69,162	0
Capital Projects	70,091	70,091	0
Fiduciary	114	104	(10)
Total	\$866,039	\$867,236	\$1,197

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$210,299	\$210,298	\$1
Special Revenue	563,094	442,425	120,669
Debt Service	69,162	69,162	0
Capital Projects	70,091	70,091	0
Fiduciary	241	30	211
Total	\$912,887	\$792,006	\$120,881

**UNION TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Rescue Body - (Bank Note)	\$6,346	6%
Backhoe - (Bank Note)	12,142	5%
Ambulance - (Bank Note)	71,000	4.25%
Total	<u>\$89,488</u>	

The Fire Rescue Body Note relates to the purchase of a fire Rescue Body in 1998. The note will be repaid in annual installments of \$7,550, including interest.

The Backhoe Note relates to the purchase of a new Backhoe in 2000. The note will be repaid in annual installments of \$12,829, including interest.

The Ambulance Note relates to the purchase of a new ambulance in 2002. The note will be repaid in annual installments of \$16,089, including interest.

The above notes will be paid with assessed taxes levied for the retirement of the debt.

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

	<u>Fire Rescue Body</u>	<u>Backhoe</u>	<u>Ambulance</u>
Year ending December 31:			
2003	\$7,550	\$12,829	\$16,089
2004	0	0	16,089
2005	0	0	16,089
2006	0	0	16,089
2007	0	0	16,089
Total	<u>\$7,550</u>	<u>\$12,829</u>	<u>\$80,445</u>

**UNION TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

8. RELATED PARTY TRANSACTIONS

The owner of Southern Ohio Protective Clothing, Co. (the Company) is a relative of the Township's fire chief. The Company sells fire equipment and clothing to the Township. The Trustees approve all purchases made from the Company, but not before cost comparison with like organizations are made. The Company has consistently been the least and best for equipment purchased by the Township. The Township purchased items totaling \$6,534 and \$8,295 in fiscal years 2002 and 2001, respectively, from the Company.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Union Township
Ross County
25139 State Route 104
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated March 7, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Union Township
Ross County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

March 7, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

UNION TOWNSHIP

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2003**