



**Auditor of State
Betty Montgomery**

**UNION TOWNSHIP
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2003.....	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	21

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**Auditor of State
Betty Montgomery**

Union Township
Belmont County
101 Memory Lane
P.O. Box 1
Morristown, Ohio 43759

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 a February 2, 2005 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 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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Betty Montgomery
Auditor of State

August 16, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Belmont County
101 Memory Lane
P.O. Box 1
Morristown, Ohio 43759

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. 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 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2004 does 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, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Union Township, Belmont County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 August 16, 2005, 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.



Betty Montgomery
Auditor of State

August 16, 2005

**UNION TOWNSHIP
BELMONT COUNTY**

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

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$23,636	\$163,275	\$0	\$0	\$0	\$186,911
Intergovernmental	64,981	92,776				157,757
Licenses, Permits, and Fees		3,450				3,450
Earnings on Investments	146	45				191
Other Revenue	3,477	6,064				9,541
Total Cash Receipts	92,240	265,610	0	0	0	357,850
Cash Disbursements:						
Current:						
General Government	56,772	3,636				60,408
Public Safety	6,391	90,552				96,943
Public Works	22,749	145,682				168,431
Health		6,480				6,480
Debt Service:						
Redemption of Principal	12,267	646				12,913
Interest and Fiscal Charges	1,641	164				1,805
Capital Outlay				120		120
Total Cash Disbursements	99,820	247,160	0	120	0	347,100
Total Cash Receipts Over/(Under) Cash Disbursements	(7,580)	18,450	0	(120)	0	10,750
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	2,500	10,000				12,500
Sale of Fixed Assets	16,500					16,500
Advances-In		1,250				1,250
Advances-Out	(1,250)					(1,250)
Other Sources	4,513					4,513
Other Uses			(4,513)			(4,513)
Total Other Financing Receipts/(Disbursements)	22,263	11,250	(4,513)	0	0	29,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,683	29,700	(4,513)	(120)	0	39,750
Fund Cash Balances, January 1	5,999	94,704	4,513	120	1,938	107,274
Fund Cash Balances, December 31	\$20,682	\$124,404	\$0	\$0	\$1,938	\$147,024
Reserve for Encumbrances, December 31	\$426	\$444	\$0	\$0	\$0	\$870

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

**UNION TOWNSHIP
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$19,957	\$148,136	\$0	\$0	\$0	\$168,093
Intergovernmental	75,880	106,420				182,300
Licenses, Permits, and Fees		3,619				3,619
Fines, Forfeitures, and Penalties	15					15
Earnings on Investments	272	41				313
Other Revenue	4,588	6,080				10,668
Total Cash Receipts	100,712	264,296	0	0	0	365,008
Cash Disbursements:						
Current:						
General Government	67,245	12,783				80,028
Public Safety	11,878	134,688				146,566
Public Works	28,793	127,423				156,216
Health	11,556	5,376				16,932
Debt Service:						
Redemption of Principal	35,631		5,873			41,504
Interest and Fiscal Charges	150		1,028			1,178
Capital Outlay	3,500			6,488		9,988
Total Cash Disbursements	158,753	280,270	6,901	6,488	0	452,412
Total Cash Receipts Over/(Under) Cash Disbursements	(58,041)	(15,974)	(6,901)	(6,488)	0	(87,404)
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	35,781			14,900		50,681
Advances-In	1,624	1,624	9,000			12,248
Advances-Out	(1,624)	(1,624)		(9,000)		(12,248)
Other Uses		(3,305)				(3,305)
Total Other Financing Receipts/(Disbursements)	35,781	(3,305)	9,000	5,900	0	47,376
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,260)	(19,279)	2,099	(588)	0	(40,028)
Fund Cash Balances, January 1	28,259	113,983	2,414	708	1,938	147,302
Fund Cash Balances, December 31	\$5,999	\$94,704	\$4,513	\$120	\$1,938	\$107,274
Reserve for Encumbrances, December 31	\$1,507	\$1,949	\$0	\$0	\$0	\$3,456

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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, Belmont 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 cemetery maintenance. The Township contracts with the Village of Morristown to provide fire services and the Village of Belmont, to provide ambulance 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 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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Township values certificates of deposit at cost.

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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Debt Service Fund – This fund receives monies for the principal and interest payments of debt.

4. Capital Project Funds

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

New Shop Fund - The Township obtained a loan to construct a new shop for road equipment.

5. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Non-Expendable Trust Fund: This fund holds the principal balance of the non-expendable trust fund.

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 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. Unencumbered appropriations lapse at year end.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 unencumbered 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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 CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$144,024	\$104,274
Certificates of deposit	3,000	3,000
Total deposits	<u>\$147,024</u>	<u>\$107,274</u>

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,327	\$115,753	(\$32,574)
Special Revenue	226,803	276,860	50,057
Debt Service	0	0	0
Capital Projects	0	0	0
Fiduciary	0	0	0
Total	\$375,130	\$392,613	\$17,483

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,834	\$101,496	\$48,338
Special Revenue	281,949	247,604	34,345
Debt Service	0	4,513	(4,513)
Capital Projects	5,000	120	4,880
Fiduciary	1,938	0	1,938
Total	\$438,721	\$353,733	\$84,988

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$153,709	\$138,117	(\$15,592)
Special Revenue	213,798	265,920	52,122
Debt Service	0	9,000	9,000
Capital Projects	50,000	14,900	(35,100)
Fiduciary	0	0	0
Total	\$417,507	\$427,937	\$10,430

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,401	\$161,884	\$39,517
Special Revenue	192,034	287,148	(95,114)
Debt Service	12,780	6,901	5,879
Capital Projects	50,000	15,488	34,512
Fiduciary	1,938	0	1,938
Total	\$458,153	\$471,421	(\$13,268)

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, appropriations exceeded estimated resources in the Debt Service Fund by \$10,066 for the year ended December 31, 2003 and in the Gasoline Tax Fund by \$5,674, the Capital Projects Fund by \$4,880 and the Fire Levy D Fund by \$115 for the year ended December 31, 2004. Also contrary to Ohio law, expenditures exceeded appropriations in numerous funds for the years ended December 31, 2004 and 2003. Also, contrary to Ohio law, the Township failed to properly obtain prior certification for 97% of the expenditures tested in 2004 and 72% of the expenditures tested in 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note - New Shop	\$28,503	4.25%
Promissory Note - Mini Excavator	11,222	5.50%
Total	<u>\$39,725</u>	

The Township issued promissory notes to finance the purchase of a new mini excavator and construction of a new shop. The new shop and mini excavator collateralized the notes.

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

Year ending December 31:	Promissory Note - New Shop	Promissory Note - Mini Excavator
2005	\$13,802	\$4,534
2006	13,802	4,534
2007	2,300	3,022
Total	\$29,904	\$12,090

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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.

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. SUBSEQUENT EVENTS

The Township incorrectly completed their W-3 form. The Township's gross payroll was reported in the Social Security Wages box in error. This caused the Internal Revenue Service (IRS) to invoice the Township for Social Security, as well as, penalties and interest. The Clerk paid the invoice in order to eliminate the Township being charged any more penalties and interest. Payment was made from the Road and Bridge Fund in the amount of \$15,186.38 on November 26, 2003. The Clerk has sent numerous certified letters to the IRS in an effort to correct the error and obtain a refund. To date, no correction has been made. The Township plans to contact the IRS about having an audit.

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Auditor of State Betty Montgomery

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

Union Township
Belmont County
101 Memory Lane
P.O. Box 1
Morristown, Ohio 43759

To the Board of Trustees:

We have audited the financial statements of Union Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 16, 2005, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribed 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 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 16, 2005, we reported other matters involving the 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001, 2004-002 and 2004-003. In a separate letter to the Township's management dated August 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Union Township
Belmont County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for 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

August 16, 2005

UNION TOWNSHIP
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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. 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 receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond 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. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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.

The Township did not properly certify the availability of funds prior to purchase commitment for 97% of the expenditures tested in 2004 and 72% of expenditures tested in 2003. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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 Clerk certify that 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 certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations at the legal level of control at December 31, 2003:

General Fund	
General Government	
Other Retirement	\$2,879
Public Safety	
Other Salaries	\$7,149
Rents and Leases	3,167
Gasoline Tax Fund	
Public Works	
Other - Salaries	\$52,642
Road and Bridge Fund	
Public Works	
Operating Supplies	\$21,534
Cemetery Fund	
Public Health	
Other – Salaries	\$1,785
Medicare	2,026

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-002 (Continued)

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

Fire District A Fund	
Public Safety	
Contracted Services	\$11,055
Fire District D Fund	
Public Safety	
Contracted Services	\$14,600
FEMA Fund	
General Government	
Other	\$12,783
Other Financing Uses	
Transfers Out	\$3,305

The following funds had expenditures which exceeded appropriations at the legal level of control at December 31, 2004:

General Fund	
Public Safety	
Other Professional and Technical Services	\$5,114
Public Works	
Utilities	\$1,256
Gasoline Tax Fund	
Public Works	
Public Employees Retirement System	\$5,751
Road and Bridge Fund	
Public Works	
Other	\$10,985
Debt Service Fund	
Debt Service	
Principal payments – bonds	\$4,513
Fire District D Fund	
General Government	
Accounting and Legal Fees	\$924
Public Safety	
Contracted Services	\$8,630

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-002 (Continued)

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

FEMA Fund	
General Government	
Other	\$884

Some of these variances resulted from the posting of audit adjustments necessary to agree legislatively-approved appropriations to amounts posted to the appropriation ledger.

We recommend all appropriation changes be approved by the Board of Trustees prior to posting the appropriation ledger. The Township Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. In addition, we recommend the Clerk post appropriations as approved by the Board of Trustees.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The Township had appropriations in excess of estimated resources in 2003 in the Debt Service Fund in the amount of \$10,066. In addition, appropriations exceeded estimated resources in 2004 in the Gasoline Tax Fund in the amount of \$5,674, in the Fire Levy D Fund in the amount of \$115, and in the New Shop Fund in the amount of \$4,880. This could allow for the Township to spend resources beyond those available.

We recommend the Township ensure appropriations do not exceed estimated revenue and obtain a certificate from the County Auditor stating that appropriations do not exceed estimated revenue.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 5705.10 - Revenue derived from a specific source shall be credited to a special fund.	No	Partially Corrected. Repeated in management letter.
2002-002	Ohio Rev. Code Section 5705.36 - Amended Certificate to be obtained if actual revenues exceed estimate and legislative authority appropriates and expends excess	Yes	Corrected.
2002-003	Ohio Rev. Code Section 5705.39 - Appropriations in excess of estimated resources	No	Repeated as finding 2004-003.
2002-004	Ohio Rev. Code Section 5705.41(B) - Expenditures in excess of appropriations.	No	Repeated as finding 2004-002
2002-005	Ohio Rev. Code Section 5705.41(D) - Failure to properly encumber.	No	Repeated as finding 2004-001.
2002-006	Proper accounting for on-behalf-of payments	N/A	Finding no longer valid. No such payments during the audit period.



**Auditor of State
Betty Montgomery**

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UNION TOWNSHIP

BELMONT 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
SEPTEMBER 22, 2005**