



**UNION TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008-2007



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
LICKING 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 - For the Year Ended December 31, 2008.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	19

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Licking County
PO Box 1208
Hebron, Ohio 43025

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Union Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management.

The Township presented us with financial statements, reflecting the Township's transactions for the audit period. However, the Township was unable to provide us with sufficient documentation or evidential matter to support the cash receipts, cash expenditures and the unreconciled cash fund balances for years ended December 31, 2008 and 2007. As a result, we were unable to satisfy ourselves as to the total revenues, expenditures, and fund cash balances as of December 31, 2008 and 2007.

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).

Since the Township was unable to provide the evidence described in the second paragraph above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 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 do 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 engagement performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our engagement.

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

Mary Taylor, CPA
Auditor of State

January 27, 2010

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**UNION TOWNSHIP
LICKING 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$279,288	\$913,739	\$1,193,027
Licenses, Permits, and Fees	13,346	0	13,346
Intergovernmental	72,799	166,731	239,530
Earnings on Investments	21,553	2,395	23,948
Miscellaneous	12,388	0	12,388
	<u>399,374</u>	<u>1,082,865</u>	<u>1,482,239</u>
Cash Disbursements:			
Current:			
General Government	304,604	0	304,604
Public Safety	96,847	619,427	716,274
Public Works	37,094	497,676	534,770
Health	24,359	0	24,359
Capital Outlay	15,075	65,544	80,619
	<u>477,979</u>	<u>1,182,647</u>	<u>1,660,626</u>
Total Receipts Over/(Under) Disbursements	<u>(78,605)</u>	<u>(99,782)</u>	<u>(178,387)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	0	12,208	12,208
Transfers-Out	0	(12,208)	(12,208)
	<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	(78,605)	(99,782)	(178,387)
Fund Cash Balances, January 1	<u>443,576</u>	<u>1,005,807</u>	<u>1,449,383</u>
Fund Cash Balances, December 31	<u>\$364,971</u>	<u>\$906,025</u>	<u>\$1,270,996</u>

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

**UNION TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$284,343	\$931,502	\$1,215,845
Licenses, Permits, and Fees	15,110	0	15,110
Fines and Forfeitures	225	0	225
Intergovernmental	101,946	127,488	229,434
Earnings on Investments	29,296	3,195	32,491
Miscellaneous	27,218	4,406	31,624
	<u>458,138</u>	<u>1,066,591</u>	<u>1,524,729</u>
Cash Disbursements:			
Current:			
General Government	296,182	0	296,182
Public Safety	135,467	538,169	673,636
Public Works	6,621	465,094	471,715
Health	24,827	0	24,827
Capital Outlay	6,099	182,035	188,134
	<u>469,196</u>	<u>1,185,298</u>	<u>1,654,494</u>
Total Receipts Over/(Under) Disbursements	(11,058)	(118,707)	(129,765)
Fund Cash Balances, January 1	<u>454,634</u>	<u>1,124,514</u>	<u>1,579,148</u>
Fund Cash Balances, December 31	<u>\$443,576</u>	<u>\$1,005,807</u>	<u>\$1,449,383</u>
Reserve for Encumbrances, December 31	<u>\$1,252</u>	<u>\$795</u>	<u>\$2,047</u>

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

**UNION TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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, Licking County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and fire protection services. The Township contracts with the Villages of Hebron, Buckeye Lake, and the Granville Volunteer Fire Department to provide 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. 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 maintains 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.

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:

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

**UNION TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(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.

Fire Levy Fund – This fund receives taxes levied to provide fire protection and emergency medical services to the Township.

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 encumbered 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 in the subsequent year.

A summary of 2008 and 2007 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.

**UNION TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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:

	2008	2007
Demand deposits	\$1,270,996	\$1,449,383

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

3. Budgetary Activity

Budgetary activity for the years ending 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$737,862	\$399,374	(\$338,488)
Special Revenue	1,911,385	1,095,073	(816,312)
Total	\$2,649,247	\$1,494,447	(\$1,154,800)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$738,200	\$477,979	\$260,221
Special Revenue	1,551,700	1,194,855	356,845
Total	\$2,289,900	\$1,672,834	\$617,066

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$458,138	\$458,138
Special Revenue	0	1,066,591	1,066,591
Total	\$0	\$1,524,729	\$1,524,729

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$470,448	(\$470,448)
Special Revenue	0	1,186,093	(1,186,093)
Total	\$0	\$1,656,541	(\$1,656,541)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Special Revenue Type Funds by \$470,448 and \$1,186,093 for the year ended December 31, 2007.

**UNION TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax

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

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. Retirement Systems

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

For 2008 and 2007, OPERS members contributed 10% and 9.50% respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

6. Risk Management

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**UNION TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$14,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**UNION TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

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>	
2006	\$14,318
2007	\$14,913
2008	\$14,403

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



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
Licking County
PO Box 1208
Hebron, Ohio 43025

To the Board of Trustees:

We were engaged to audit the financial statements of Union Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated January 27, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Furthermore, our report indicated that because the Township was unable to provide us with sufficient documentation or evidential matter to support the cash receipts, cash expenditures and the unreconciled cash fund balances for years ended December 31, 2008 and 2007 we did not express an opinion on the financial statements.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-004 through 2008-008 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe findings number 2008-004 through 2008-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated January 27, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 27, 2010.

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

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



Mary Taylor, CPA
Auditor of State

January 27, 2010

UNION TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation - Certifying tax levies

Ohio Revised Code 5705.34 states each taxing authority, by ordinance or resolution, shall authorize the necessary tax levies and certify them to the county auditor before the first day of October in each year, or at such later date as is approved by the tax commissioner.

The Township did not pass resolutions authorizing the necessary tax levies and certifying the levies to the County Auditor for 2007 and 2008 until May of 2008. The County Auditor does not have authority to collect levy monies until the rates and amounts have been certified by the Township. As a result of the late filings, the Township's collection of tax levy revenues for the 2007 and 2008 fiscal years could have been jeopardized. The Township should ensure the necessary tax levies are formally approved and certified to the County Auditor timely. This will help ensure that monies generated from the Township's tax levies can be collected and available for the Township.

FINDING NUMBER 2008-002

Noncompliance Citation - Permanent Appropriations

Ohio Rev. Code Section 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed.

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

The Township did not adopt a permanent appropriation measure for fiscal year 2007. As a result, all expenditures reported in the 2007, exceeded a duly authorized appropriation measure.

We recommend that the Township Trustees adopt a permanent appropriation measure by April 1st each year. The Township should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure that all annual budgetary filings and compliance requirements are met.

FINDING NUMBER 2008-003

Noncompliance Citation - Certification of Funds

Ohio Rev. Code 5705.36(A)-(1) requires on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year. In addition, this section allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenues to be collected will be greater or less than the amount in the official certificate of estimated resources.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Noncompliance Citation - Certification of Funds (Continued)

For fiscal years 2007 and 2008 the Township failed to certify the total amount available from each fund to the county fiscal officer by the required date. They were not submitted to the County Auditor until May 2008 for 2007 and 2008. By not certifying year-end balances to the county auditor, the Township has no basis upon which to make the following years appropriations, which could, and has, resulted in negative fund balances. The Township should file its certificate of available revenue with the county fiscal officer on or about the first day of each fiscal year, and should amend it throughout the year as deemed necessary. The Township should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure that all yearly budgetary filings and compliance requirements are met.

FINDING NUMBER 2008-004

Significant Deficiency/Material Weakness- Cashier's Check

The Township obtained a cashier's check from Park National Bank on June 14, 2005 for \$20,000. The cashiers' check was going to be used to purchase some land for the Township at an auction. The Township did not end up purchasing the land at the auction. The cashier's check was kept, on-hand, by a trustee until September 26, 2007 at which time it was deposited back into the Township's account at Park National Bank.

Because this cashiers' check was outstanding for so long there are several fraud schemes that could have happened. The cashiers' check could have been used as an interest free loan, or could have even been lost and the Township would have no way to retrieve the money.

We recommend the Township not issue cashier's checks for purchases. If a cashier's check need to be obtained for purchases the Township should perform cash management procedures to ensure the money is safeguarded. This would include immediately depositing the money back into the bank if the check was not used for its original intended purposes.

FINDING NUMBER 2008-005

Significant Deficiency/Material Weakness- Timely Deposit of Receipts

During our audit we noted several receipts that were posted to the revenue ledger and cash journal but not deposited to the bank account in a timely fashion. The Township failed to timely deposit several checks from the Ohio Auditor of State, a check from the Public Entities Risk Pool of Ohio, Inc., and several zoning permit fees that were received during the months of October, November and December 2006 totaling \$32,426.69. Although the cash receipts were recorded into the Township's revenue ledger and cash journal, the Fiscal Officer attempted to deposit these checks in the month of May 2007. The failure to deposit these receipts timely does not allow for these items to be included in cash as deposits in transit. Also, the failure to deposit these receipts timely led to the preparation of incorrect financial statements for the year-end December 31, 2006. The audited financial statements included an adjustment to remove these undeposited monies from the financial statements. The Township agreed with the adjustment

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-005 (Continued)

Significant Deficiency/Material Weakness- Timely Deposit of Receipts (Continued)

The Ohio Auditor of State checks were not deposited in the time allotted by the Ohio Auditor of State and were not honored by the paying bank. The Ohio Auditor State reissued these checks which were properly deposited and posted to the UAN system in 2007. The Public Entities Risk Pool of Ohio, Inc., and the zoning permits were deposited in May 2007, and due to the 2006 audit adjustment, the amounts were properly recorded on the Township's financial statements for fiscal year 2007.

We also noted that the Township does not timely post receipts to the UAN system. Interest is direct deposited monthly into the Township's bank account. All interest receipts for FY2007 were posted at 12/31/07 and all interest receipts for FY2008 were posted at 12/31/08. By not timely posting receipts to the UAN system this causes the monthly reports to be inaccurate.

The Fiscal Officer should collect, deposit, and post to UAN all Township receipts in a timely fashion, reconcile bank accounts to the Township books monthly and record all financial transactions timely.

FINDING NUMBER 2008-006

Significant Deficiency/Material Weakness- Fiscal Responsibility/Board Monitoring of Financial Reports

During the audit period, financial records were not adequately maintained by the Fiscal Officer. Additionally, proper Board monitoring was not performed to determine that the required records were even being maintained. These records would include monthly bank reconciliations, budget reports, receipt and expenditure ledgers and payroll reports.

It is the Board's responsibility to monitor monthly reports and check to determine that related documents agree. It is important that the Board monitor financial activity closely, and at each regular monthly meeting, at a minimum, the Board should require that the bank reconciliation and the detailed budget and actual receipt and disbursement reports be provided for review. Monthly bank reconciliations should be reviewed to ensure bank balances agree with the monthly fund balances. Any reconciling items should be reviewed to verify there are no unexplained items, and/or that the explanations are factual. The detailed budget versus actual reports should be reviewed to determine that receipts are in line with estimates and that expenditures are within appropriations and if necessary, appropriate budget modifications be updated. It was discovered that comprehensive bank reconciliations are not being performed by the Fiscal Officer.

In order to assure adequate segregation of duties and monitoring of accounting activity, it is essential that an accounting system that is primarily operated by a single individual (Fiscal Officer), be monitored by the Township Board of Trustees.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-006 (Continued)

Significant Deficiency/Material Weakness- Fiscal Responsibility/Board Monitoring of Financial Reports (Continued)

Trustees should carefully review the following information and make appropriate inquiries to assure the continued integrity of accounting information in order to make informed decisions to manage the Township, such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- When cash is available, is the Township maximizing its return on invested cash balances?
- Are the Township records, reports and cash reconciliations maintained and presented in a timely manner that provides accurate and meaningful information to Trustees?
- Are errors and irregularities examined timely and are those responsible for providing accounting information being held accountable for providing accurate and complete financial information.

To improve the monitoring controls over this activity, the Trustees should document receipt and review of all of these reports in the minutes. Also, a designated Trustee should sign or initial and date these reports as evidence of review.

FINDING NUMBER 2008-007

Significant Deficiency/Material Weakness-Bank Reconciliations

The Township did not perform bank to book reconciliations throughout the fiscal year. The bank reconciliations were performed as part of the closing process of the township books in December of each fiscal year.

Upon further investigation the following discrepancies were discovered with the bank reconciliations:

- There were other adjusting factors noted on the bank reconciliations. This was determined to be an unsupported figure to get the reconciliation to balance every month. These amounts fluctuated every month. They varied from negative \$29,386.36 to a positive \$623,386.36 during 2007 and 2008.
- The outstanding checks listed on the bank reconciliations were incorrect. The Fiscal Officer identified \$ 117,835.35 and \$204,675.02 as outstanding checks in 2007 and 2008, respectively. However, upon further investigation it was determined that the actual outstanding check amounts were \$88,344.26 and \$172,698.29 for 2007 and 2008 respectively.
- There were unrecorded deposits of \$64,169.25 in 2007 and \$2,871.86 in 2008.
- Deposits were not posted timely on the UAN system by the Fiscal Officer. There were instances of money deposited into the bank in January but not entered into the accounting system until December.
- There were instances of deposits entered incorrectly into the accounting system. This was not discovered by the fiscal officer as there was not a comprehensive reconciliation being performed.
- There were instances of manual checks written during the year that were entered incorrectly into the accounting system.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-007 (Continued)

Significant Deficiency/Material Weakness-Bank Reconciliations (Continued)

- Some vendors were paid over the phone or internet. When these vendors were paid there was a convenience fee charged as part of the transaction. These convenience fees were never recorded in the accounting system.
- There is still an unknown difference on the bank reconciliation that appears to be due to transactions prior to 2007. The unknown differences are \$77,479.22 and \$83,139.99 in 2007 and 2008 respectively.

No audit adjustments were made to the financial statements for the above activity as the differences noted above are unknown in nature and we were unable to determine which funds this money belongs to. Therefore, the Township was unable to provide us with sufficient documentation or evidential matter to support the cash receipts, cash expenditures and the unreconciled cash fund balances reported for the years ended December 31, 2008 and 2007.

As a result, inaccurate financial reports are being provided to trustees to aid in management decisions, which could lead to errors or irregularities occurring which could go undetected by management.

Strong monitoring practices of Township financial activities are the responsibility of the Fiscal Officer and Township Trustees and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, the Fiscal Officer and Township Trustees should review the bank to book reconciliation and monthly financial reports of financial activity of the Village including budgeted versus actual receipts and expenditures, fund balance reports, and bank to book reconciliations. Evidence of these reviews should be documented.

We recommend the Township Fiscal Officer reconcile all bank accounts to the books on a timely basis. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Township's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by the Trustees and that evidence of these reviews and approvals is documented.

FINDING NUMBER 2008-008

Significant Deficiency/Material Weakness-Financial Statement Presentation

A monitoring system by the Fiscal Officer should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post revenues to the Township's ledgers.

The following immaterial posting errors were noted:

- Intergovernmental receipts were posted as Miscellaneous (2007 General Fund: \$3,253)

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-008 (Continued)

Significant Deficiency/Material Weakness-Financial Statement Presentation (Continued)

- Interest was not posted to the accounting ledgers (2007 General Fund \$2,797)

As noted, these amounts were not material and financial statement adjustments were not made.

In addition, as noted in Finding 2008-007, the following issues were noted that would impact the financial statements:

- Comprehensive bank reconciliations were not performed for 2007 and 2008. As part of the audit process it was discovered that \$64,169.25 and 2,872.86 in deposits were not recorded in 2007 and 2008 respectively.
- On the Fiscal Officer's completed bank reconciliations there is an unreconciled balance of \$83,139.99 and 77,479.22 for 2008 and 2007, respectively.
- Also on the Fiscal Officer's bank reconciliation outstanding checks are recorded incorrectly. The fiscal office had the following amounts for outstanding checks \$204,877.85 and \$117,835.35 for 2008 and 2007, respectively. The actual amount of outstanding checks should be \$172,698.29 and \$88,344.26 for 2008 and 2007, respectively.

The amounts are material to the financial statements, however due to unreconciled nature of the client's records we were unable to determine what funds these adjustments should have been made to.

Not posting revenues and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit reclassification entries.

Not completing comprehensive bank reconciliations could lead to misuse of Township funds. The fiscal officer and Township trustees do not have a clear financial picture of the township. They could overspend if the township books are not properly reconciled.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of intergovernmental revenue and interest. Cash receipts and disbursements should be posted in accordance with procedures and guidelines established in the Uniform Accounting Network line item descriptions. Bank reconciliations also need to be completed timely, and discrepancies need to be corrected immediately by the Township. By exercising accuracy in recording financial activity, the Township Trustees will have accurate financial data to assist them in making financial decisions throughout the year. Furthermore, we recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements by a member of the Board of Trustees with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Official's Response for Findings denoted above: The Fiscal Officer will ensure timelines and accuracy of deposits, reconciliations and reports. Management reports will be provided to the Trustees each month for review.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-UTLC-01	Non-Compliance Citation and Material Weakness: Timely Deposit of Receipts	No	See Finding 2008-005
2006-UTLC-02	Non-Compliance Citation and Material Weakness: Bank Reconciliation	No	See Finding 2008-007
2006-UTLC-03	Non-Compliance Citation and Material Weakness: Review of Monthly Reports and Evidence of Review	No	See Finding 2008-006
2006-UTLC-04	Non-Compliance: Certification of Availability of Funds	Yes	
206-UTLC-05	Non-Compliance and Material Weakness: Expenditure and Encumbrances Exceed Appropriations	No	See Finding 2008-002



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

LICKING 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
MARCH 25, 2010