



Dave Yost • Auditor of State



**UNION TOWNSHIP  
LICKING COUNTY**

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# Dave Yost • Auditor of State

Union Township  
Licking County  
1380 Beaver Run Road  
P.O. Box 1208  
Hebron, Ohio 43025

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

August 06, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Union Township  
Licking County  
1380 Beaver Run Road  
P.O. Box 1208  
Hebron, Ohio 43025

To the Board of Trustees:

We have audited the accompanying basic financial statements of Union Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2011, 2010, and 2009. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011, 2010, and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011, 2010, and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Union Township, Licking County, Ohio, as of December 31, 2011, 2010, and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, during 2011 Union Township, Licking County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 06, 2012, 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.



**Dave Yost**  
Auditor of State

August 06, 2012



**UNION TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$254,208.37	\$824,386.04	\$1,078,594.41
Charges for Services	-	124,736.29	124,736.29
Licenses, Permits and Fees	14,513.51	-	14,513.51
Intergovernmental	129,983.15	110,435.27	240,418.42
Earnings on Investments	1,280.62	529.43	1,810.05
Miscellaneous	9,585.20	1.00	9,586.20
<i>Total Cash Receipts</i>	<u>409,570.85</u>	<u>1,060,088.03</u>	<u>1,469,658.88</u>
<b>Cash Disbursements</b>			
Current:			
General Government	278,457.20	-	278,457.20
Public Safety	211,909.08	603,697.56	815,606.64
Public Works	17,565.40	372,119.20	389,684.60
Health	12,760.60	-	12,760.60
Capital Outlay	10,131.35	3,388.23	13,519.58
<i>Total Cash Disbursements</i>	<u>530,823.63</u>	<u>979,204.99</u>	<u>1,510,028.62</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(121,252.78)</u>	<u>80,883.04</u>	<u>(40,369.74)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	122.00	-	122.00
<i>Net Change in Fund Cash Balances</i>	(121,130.78)	80,883.04	(40,247.74)
<i>Fund Cash Balances, January 1</i>	<u>121,051.91</u>	<u>917,001.43</u>	<u>1,038,053.34</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	997,884.47	997,884.47
Unassigned (Deficit)	<u>(78.87)</u>	<u>-</u>	<u>(78.87)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$78.87)</u>	<u>\$997,884.47</u>	<u>\$997,805.60</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, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$263,523.74	\$881,006.57	\$1,144,530.31
Licenses, Permits, and Fees	2,524.00	-	2,524.00
Intergovernmental	92,066.09	155,447.01	247,513.10
Earnings on Investments	2,464.27	353.21	2,817.48
Miscellaneous	987.53	-	987.53
	<u>361,565.63</u>	<u>1,036,806.79</u>	<u>1,398,372.42</u>
<b>Total Cash Receipts</b>			
	<u>361,565.63</u>	<u>1,036,806.79</u>	<u>1,398,372.42</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	280,051.89	-	280,051.89
Public Safety	133,137.24	655,619.65	788,756.89
Public Works	59,920.39	444,533.90	504,454.29
Health	20,000.00	-	20,000.00
Capital Outlay	85,500.00	204,000.00	289,500.00
	<u>578,609.52</u>	<u>1,304,153.55</u>	<u>1,882,763.07</u>
<b>Total Cash Disbursements</b>			
	<u>578,609.52</u>	<u>1,304,153.55</u>	<u>1,882,763.07</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(217,043.89)</u>	<u>(267,346.76)</u>	<u>(484,390.65)</u>
<b>Fund Cash Balances, January 1</b>	<u>338,095.80</u>	<u>1,184,348.19</u>	<u>1,522,443.99</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$121,051.91</u></u>	<u><u>\$917,001.43</u></u>	<u><u>\$1,038,053.34</u></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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$250,833.48	\$882,853.31	\$1,133,686.79
Charges for Services	-	122,982.80	122,982.80
Licenses, Permits, and Fees	7,024.50	-	7,024.50
Fines and Forfeitures	100.00	-	100.00
Intergovernmental	100,091.81	205,862.80	305,954.61
Earnings on Investments	7,816.97	868.56	8,685.53
Miscellaneous	5,304.62	8.06	5,312.68
	<u>371,171.38</u>	<u>1,212,575.53</u>	<u>1,583,746.91</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	281,008.81	-	281,008.81
Public Safety	102,313.58	623,975.59	726,289.17
Public Works	38,817.20	345,276.75	384,093.95
Health	8,784.79	-	8,784.79
Capital Outlay	150.00	-	150.00
	<u>431,074.38</u>	<u>969,252.34</u>	<u>1,400,326.72</u>
<b>Total Cash Disbursements</b>			
	<u>431,074.38</u>	<u>969,252.34</u>	<u>1,400,326.72</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(59,903.00)</u>	<u>243,323.19</u>	<u>183,420.19</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		50,554.00	50,554.00
Transfers-Out	(35,000.00)	(15,554.00)	(50,554.00)
	<u>(35,000.00)</u>	<u>35,000.00</u>	<u>-</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
	<u>(35,000.00)</u>	<u>35,000.00</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(94,903.00)	278,323.19	183,420.19
Fund Cash Balances, January 1 (Restated)	432,998.80	906,025.00	1,339,023.80
	<u>432,998.80</u>	<u>906,025.00</u>	<u>1,339,023.80</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$338,095.80</b></u>	<u><b>\$1,184,348.19</b></u>	<u><b>\$1,522,443.99</b></u>

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

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**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009**

**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 and emergency medical services. The Township contracts with the Villages of Hebron and Buckeye Lake, and the Granville Volunteer Fire Department to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

OTARMA is a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members.

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.

**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

EMS Levy Fund - This fund receives taxes levied to provide 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 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 2011, 2010, and 2009 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.

**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits**

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

	2011	2010	2009
Demand deposits	\$ 997,806	\$ 1,038,053	\$ 1,522,444

**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 2011, 2010, and 2009 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$425,029	\$409,571	(\$15,458)
Special Revenue	933,757	1,060,088	126,331
Total	\$1,358,786	\$1,469,659	\$110,873

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$530,824	(\$530,824)
Special Revenue	0	979,205	(979,205)
Total	\$0	\$1,510,029	(\$1,510,029)

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$299,212	\$361,566	\$62,354
Special Revenue	966,077	1,036,807	70,730
Total	\$1,265,289	\$1,398,373	\$133,084

**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$627,950	\$578,610	\$49,340
Special Revenue	1,490,750	1,304,154	186,596
Total	\$2,118,700	\$1,882,764	\$235,936

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$377,150	\$371,171	(\$5,979)
Special Revenue	1,056,950	1,263,130	206,180
Total	\$1,434,100	\$1,634,301	\$200,201

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$636,650	\$466,074	\$170,576
Special Revenue	1,369,950	984,806	385,144
Total	\$2,006,600	\$1,450,880	\$555,720

Contrary to Ohio law, the Township did not certify the availability of funds prior to the purchase commitment for 42 percent of expenditures tested for 2011, 2010, and 2009 among all funds. Also contrary to Ohio law, the Township's tax levies were not certified to the County Auditor before the first day of October in 2011, 2010, and 2009. Additionally, contrary to Ohio law, the Township did not adopt a permanent appropriation measure for 2011. As a result, budgetary expenditures exceeded appropriation authority in the General fund by \$530,824, in the Road and Bridge fund by \$289,660, in the Gasoline Tax fund by \$67,737, and in the Fire Levy fund by \$60,698 for the year ended December 31, 2011. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge fund by \$134,037 for the year ended December 31, 2010. It was also noted, contrary to Ohio law, certification to the county auditor of the total amount from all sources available for expenditure from each fund was not completed by the required date for 2011, 2010, or 2009.

**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.



**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

**4. Property Tax (Continued)**

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 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 2011, 2010, and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**6. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

**6. Risk Management (Continued)**

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$6,535.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>		
<u>2011</u>	<u>2010</u>	<u>2009</u>
\$18,336	\$8,378	\$9,270

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. Restatement of Prior Year Fund Balance**

	December 31, 2008 Balance, as reported in the prior audit report	Restatement	January 1, 2009 Restated Balance
General Fund	\$364,971	\$68,028	\$432,999

In order to reconcile the UAN accounting system balances to the bank balances, the Village posted financial statement and accounting system adjustments to correct prior period posting errors and restated the January 1, 2009 General Fund Balance.

**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

**8. Management's Plan**

The negative cash balances of \$79 and \$56,264 at December 31, 2011 in the Township's General fund, and EMS Levy fund, respectively, are due primarily to audit adjusting entries. As a result, management, under the direction of the Board of Trustees, has implemented a plan to replenish the General Fund Balance. The Township Fiscal Officer and Trustees will more closely examine expenditures, and determine the proper allocation between the General and any Special Revenue fund. This will help ensure the General fund is not paying for expenses that are allowable to be paid for from other restricted Special Revenue funds.

Management will continue to monitor the General fund financial position and report to the Board of Trustees to determine the effectiveness of this strategy.

**9. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. GASB 54 implementation did not have an effect on January 1, 2011 fund balances. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**UNION TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010, AND 2009  
(Continued)**

**9. Fund Balance (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



# Dave Yost • 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  
1380 Beaver Run Road  
P.O. Box 1208  
Hebron, Ohio 43025

To the Board of Trustees:

We have audited the financial statements of Union Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2011, 2010, and 2009, and have issued our report thereon dated August 06, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. In addition, we noted the Township adopted Governmental Accounting Standards Board Statement No. 54 for the year ended 2011. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-008 through 2011-010 described in the accompanying schedule of findings to be material weaknesses.

### **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 2011-002 through 2011-007.

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 August 06, 2012.

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

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



**Dave Yost**  
Auditor of State

August 06, 2012

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Timely Deposits, Posting to accounting system, Board Monitoring**

MATERIAL WEAKNESS

The Township Fiscal Officer failed to deposit and/or record several checks from the Office of Budget and Management, which caused these checks to go stale. This amounted to approximately \$47,000 in 2010 and \$100,000 in 2011. The checks were not deposited in the time allotted by the Office of Budget and Management and were not honored by the paying bank. The Township Fiscal Officer began taking steps in early 2012 to get these stale checks reissued to the Township.

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 FY2009 were posted at 12/31/09 (\$8,686) and all interest receipts for FY2010 were posted at 12/31/10 (\$2,817). It was noted that interest receipts were posted sporadically for FY2011 (\$1,810), however they were still not posted monthly or posted timely. Further, it was noted, intergovernmental and tax revenue direct deposits were not always posted timely, not posted at all, or double posted to the accounting records, as noted in Finding 2011-10. Not timely posting receipts to the UAN system causes the monthly reports to be provided to the Board of Trustees to be inaccurate. Further, not timely depositing into the bank checks that were written to the Township could potentially reduce the amount of resources available for the Board of Trustees to provide services to the residents of the Township.

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 Trustees' responsibility to develop effective control policies and procedures to monitor reports and check to determine that related documents agree. It is important for the Trustees to develop effective control policies and procedures to 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 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 reconciliation items should be reviewed to verify there were 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.

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. Furthermore, 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:

UNION TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2011-01 (Continued)

Timely Deposits, Posting to accounting system, Board Monitoring (Continued)

- 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 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.

**Official's Response:**

The Township acknowledges the finding.

Timely Deposits - The incidents described occurred during the *former* fiscal officer's term. The current fiscal officer has taken measures to deposit and post in a timely manner, by contacting agencies issuing the checks and providing them with the correct Fiscal Officer's name and the OFFICIAL mailing address of the township.

During the on-site portion of the audit, it was found the State of Ohio had issued several checks to the Union Township and mailed to a previous Fiscal Officer whose term had ended in 2004. The missing checks were mailed to Sue Penick's personal residence. The original checks were never located.

A change of address form was filed with the U.S. Post Office for any Union Township mail being sent to Mrs. Penick's and/or Mrs. Griffith's home to be forwarded to the Township's Official mailing address. Agencies issuing the checks have also been notified of the Township's correct address.

Posting and Board Monitoring – Again these incidents occurred during the former fiscal officer's term. The trustees were unaware of the problem, although they had requested to view the UAN system and asked for bank reconciliation reports. These requests went unanswered.

The current Fiscal Officer gives a monthly the Trustees these reports in which the trustees sign.



**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-02**

**Prior Certification – ORC 5705.41(D)**

NONCOMPLIANCE

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

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

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

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the Township.

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

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

The Township did not certify the availability of funds prior to the purchase commitment for 42 percent of expenditures tested during 2011 through 2009 and there was no evidence that the aforementioned exceptions were used.

UNION TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2011-02 (Continued)

**Prior Certification – ORC 5705.41(D)**

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 the Fiscal Officer certify that the funds are or will be available prior to obligation by the Fiscal Officer. 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 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 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

The Township acknowledges the finding. We are now following this process correctly .

FINDING NUMBER 2011-03

**Tax Levies**

NONCOMPLIANCE

**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.

Although the Township Trustees did pass resolutions authorizing the necessary tax levies prior to October 1 of each year, these were not certified to the County Auditor for 2009 until December 1, 2009; for 2010 until February 15, 2011; and for 2011 until December 21, 2011. 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 2009 through 2011 fiscal years could have been jeopardized.

We recommend that the Township ensure the necessary tax levies are formally approved and certified to the County Auditor in a timely manner. This will help ensure that monies generated from the Township's tax levies can be collected and available for the Township.

**Official's Response:**

The Township acknowledges the finding. The Township became aware of the certificates not being filed during the transition of Fiscal Officers in 2011. Although the County attempted to contact the former Fiscal Officer other Township Officials were unaware of the issue. The current Fiscal Officer works with the County on these issues and the County has been furnished with additional Township contact information in the event the Fiscal Officer can not be reached.

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-04**

**Appropriations**

NONCOMPLIANCE

**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 2011. As a result, all expenditures reported in the 2011, exceeded a duly authorized appropriation measure. Although the Township's legal level of control was at the function level, budgetary expenditures exceeded appropriations for the year ended December 31, 2010 at the fund level as follows:

<u>Fund Name</u>	<u>Appropriation Authority</u>	<u>Total Expenditures</u>	<u>Variance</u>
Road and Bridge Fund	\$408,750	\$542,787	(\$134,037)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources.

We recommend the Township Trustees should adopt a permanent appropriation measure by April 1<sup>st</sup> 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 yearly budgetary filings and compliance requirements are met. Further, the Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Official's Response:**

The Township acknowledges the finding. The new Fiscal Officer is currently following correct Appropriations procedures. The Trustees were unaware of the former Fiscal Officer's errors as the reports that were given to them did not show any funds exceeding the appropriations.

UNION TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2011-05

**Certification of Funds**

NONCOMPLIANCE

**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.

For fiscal years 2009, 2010 and 2011 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 December 1, 2009 for fiscal year 2009, April 13, 2010 for fiscal year 2010 and February 15, 2011 for 2011. 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.

**Official's Response:**

The Township acknowledges the finding. The Trustees were unaware the former Fiscal Officer had failed to comply. The current Fiscal Officer is working with all agencies to ensure we conduct business in the appropriate timeline.

FINDING NUMBER 2011-06

**Withholdings**

NONCOMPLIANCE

**26 U.S.C. § 3402.(a) (1)** states in part that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall (A) apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and (B) be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods. 26 U.S.C 3402 also state if the employer, in violation of the provisions of this chapter, fails to deduct and withhold the tax under this chapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

UNION TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2011-06 (Continued)

**Withholdings**

**26 U.S.C Section 3102(a)** requires employers to withhold a Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

**Ohio Rev. Code Section 5747.07 (B)** states in part, that every employer required to deduct and withhold any amount of taxes in section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law.

**Ohio Rev. Code Section 9.42** requires that any political subdivision or instrumentality deduct from the wages or salaries of public employees the percentage of municipal income tax applicable.

**Ohio Rev. Code Section 145.03** requires all public employees to contribute to the Ohio Public Employees Retirement System (OPERS).

It was noted during the audit period that the Township withheld proper amounts from each employees earnings, however, the monies were not always remitted to the proper agencies until the change of Fiscal Officers in 2011. All obligations were paid, except the fees and penalties, by year end.

Not submitting withholdings to the proper agencies can, and did, lead to late fees and penalties.

The Township had \$14,182 in Taxes outstanding to the Ohio Department of Taxation for the period of November 2009 through October 2011. The Township owed a total of \$10,687 in penalties and interest on this amount. As of May 15, 2012, the Township's remaining balance due was \$6,655. The Township has worked out a payment plan with the Ohio Department of Taxation.

The Township also had late fees and penalties assessed against them for untimely paying the OPERS withholdings for the period of January 2009 through December 2011 in the amount of \$2,058.

We recommend the Township file all withholdings, to the proper agencies, in a timely manner.

**Official's Response:**

The Township acknowledges the finding. The Township was unaware of this problem which is now under investigation. The Township will consult with the Prosecutor's Office for recovery of any Penalties and Interest the Township may be fined as a result of this issue.

The Township concurs with filing all withholdings to the proper agencies in a timely manner.

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2011-07**

**Emergency Medical Services (EMS) Fund**

NONCOMPLIANCE

Pursuant to **Ohio Rev. Code section 505.84** a board of township trustees may establish reasonable charges for the use of fire and rescue services, ambulance services or emergency medical services. Charges collected under this section shall be kept in a separate fund, and shall be appropriated and administered by the board. The fund shall be used for the payment of the costs of the management, maintenance, and of emergency medical services of the township.

Although the Township established such a fund in fiscal year 2011, the Township had been previously collecting and disbursing funds related to EMS services prior to 2011 in the Township's Fire, Special Levy fund.

We recommend that all financial activity related to EMS be reported, and accounted for in this separate EMS, Special Revenue fund. The Township's accounting records have been adjusted to accurately reflect the proper line item classifications and fund postings.

**Official's Response:** The Township plans of developing a policy for the use of the Fire and EMS levy funds.

**FINDING NUMBER 2011-08**

**Budgetary Amounts in Accounting System**

MATERIAL WEAKNESS

The Fiscal Officer should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements, including budgetary information.

The following differences were noted between the amended certificates of estimated resources certified by the budget commission and the amounts entered into the accounting system:

**2010**

<b>Fund</b>	<b>Estimated Resources Filed with the County</b>	<b>Estimated Resources From UAN</b>	<b>Variance</b>
General Fund	\$573,924	\$628,362	\$54,438
Motor Vehicle License Fund	\$51,203	\$69,373	\$18,170
Gas Tax Fund	\$254,655	\$346,355	\$91,700
Road and Bridge Fund	\$1,006,442	\$1,065,248	\$58,806
Special Levy Fund	\$721,521	\$705,638	(\$15,883)
<b>Total</b>	<b>\$2,607,745</b>	<b>\$2,814,976</b>	<b>\$207,231</b>

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-08 (Continued)**

**Budgetary Amounts in Accounting System (Continued)**

Fund	Appropriations Filed with the County	Appropriations From UAN	Variance
General Fund	\$542,950	\$627,950	\$85,000
Road and Bridge Fund	\$408,750	\$628,250	\$219,500
<b>Total</b>	<b>\$951,700</b>	<b>\$1,256,200</b>	<b>\$304,500</b>

**2009**

Fund	Estimated Resources Filed with the County	Estimated Resources From UAN	Variance
Road and Bridge Fund	\$1,963,771	\$1,979,325	\$15,554

Fund	Appropriations Filed with the County	Appropriations From UAN	Variance
Motor Vehicle License Fund	\$57,500	\$53,500	(\$4,000)
Gas Tax Fund	\$128,500	\$132,500	\$4,000
<b>Total</b>	<b>\$186,000</b>	<b>\$186,000</b>	<b>\$0</b>

The Fiscal Officer should update the Township's budgetary statements so that they agree to the last Official Amended Certificate of Estimated Resources and the Annual Appropriation Measure net of any properly approved supplemental appropriation measures. In addition, when significant increases or decreases in receipts for a particular fund are expected, the Township should obtain an additional Official Amended Certificate of Estimated Resources. Not doing these steps could cause the Township to make appropriations in excess of estimated resources causing the Township to be in violation of the Ohio Revised Code.

We recommend the Fiscal Officer submit all original and changes to estimated resources and appropriations and be certified by the County before entering the information into the UAN system. The Board of Trustees should review UAN reports to ensure the proper amounts have been entered into the accounting system and reported in the financial statements.

The financial statements have been adjusted to properly reflect the correct estimated receipts and appropriations.

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-08 (Continued)**

**Budgetary Amounts in Accounting System (continued)**

**Official's Response:**

The Township acknowledges the finding. The new Fiscal Officer provides the Trustees with UAN reports, bank reconciliations, appropriation status, fund and revenue reports, status receipts register and payment register meeting as well as financial reports at the beginning of each month. Trustees approve reports and are recorded in the minutes.

The Trustees had requested same information from the former Fiscal Officer however the information was never provided. It is unknown why the former Fiscal Officer would not provide the documentation requested.

**FINDING NUMBER 2011-009**

**Bank Reconciliations**

MATERIAL WEAKNESS

The Township did not properly perform bank to book reconciliations throughout the audit period. For 2009 and 2010 the bank reconciliations were performed as part of the closing process of the township books in December of each year. There were no reconciliations performed from January of 2011 through August of 2011. There was a change in Fiscal Officer in October of 2011. After this point, the reconciliations were performed monthly.

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 reconciliations to balance each month. These amounts fluctuated every month. They varied from negative \$502,583.23 to a positive \$95,527.45.
- There were long outstanding items on the outstanding checklist in 2009 and 2010. At December 31, 2010, there were outstanding checks ranging from 2000 to 2010 totaling \$278,416.37. The new Fiscal Officer took steps to correct this as of 12/31/2011.
- There were checks listed as outstanding on the outstanding checklist that had already cleared the bank.
- There were numerous items that cleared the bank, however they were not posted to the Township Uniform Accounting Network (UAN) system.
- There were instances of items being in the cash journal, however not deposited in the bank. Upon further investigations many of these items were duplicate postings in the cash journal.
- Deposits were not posted timely on the UAN system by the Fiscal Officer. There were instances of money deposited into the bank in January, however not entered into the system until September.
- There were instances of manual checks written during the year that were entered incorrectly into the UAN system.



**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-009 (Continued)**

**Bank Reconciliations (Continued)**

On November 30, 2011 the new Fiscal Officer made a fund balance adjustment to get the books to reconcile to the bank in the amount of \$68,027.80. The entire adjustment was made to the General Fund of the Township because it was unable to be determined which funds this money belonged to.

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. Further, once all financial transactions were properly booked to the UAN accounting system, the General Fund had a negative balance of \$78.87 as of December 31, 2011.

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 Township 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.

**Official's Response:**

The Township acknowledges the findings. The current Fiscal Officer reconciles bank statements on a monthly basis which the trustees review and sign.

**FINDING NUMBER 2011-010**

**Financial Statement Presentation**

**MATERIAL WEAKNESS**

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 timely or accurately post revenues and expenditures to the Township's ledgers.

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-010 (Continued)**

**Financial Statement Presentation (Continued)**

The following posting errors were noted:

**2009**

General Fund

- A safety deposit fee (\$10) and an electronic bill pay of \$1,698 were not posted to the UAN system
- Intergovernmental receipts in the amount of \$1,679 was double posted in the cash journal

Special Revenue

- \$54,429 of tangible personal property tax reimbursements were inadvertently posted in the Road and Bridge Fund instead of the Special Levy Fund
- \$122,983 from the Village of Hebron was deposited in the bank for EMS services, however, was not posted to the UAN system
- \$5,582 of Intergovernmental Revenue from Licking county was double posted in the cash journal, \$1,970 in the Road and Bridge Fund, and \$3,612 in the Special Levy Fund.
- \$62,911 of the Special Levy fund beginning fund balance was adjusted to the EMS Levy fund for the portion of the fund balance in the Special Levy fund that should have been posted to the EMS levy fund.

**2010**

General Fund

- \$47,260 of Homestead and Rollback that was posted as Taxes instead of Intergovernmental Revenue: \$10,397 - General Fund; \$13,233 Road and Bridge Fund; \$23,630 Special Levy Fund
- \$392 interest was double posted to the accounting system
- \$11,861 a net effect of local governmental and county settlements in the bank, not in the cash journal, the double posting of hotel/motel tax and local government monies
- \$40,654. of manual-check expenditures that cleared the bank, however were skipped warrants in the cash journal

Special Revenue

- \$9 interest in the MVLT fund was double posted to the accounting system
- \$35 interest in the Gas Tax fund was double posted to the accounting system
- \$3,175 MVR revenue double posted in the cash journal netted with a minor correction in the cash journal that was not noted in the bank statements
- \$35 - MVLT Fund; \$835 - Gas Tax Fund; \$596 - Road and Bridge Fund; \$40,000 - Special Levy Fund - manual checks that cleared the bank, however were noted as skipped warrants in the cash journal.
- \$10,914 was deposited in the bank, however was not posted to the cash journal in the Gas Tax Fund.

**2011**

General Fund

- \$149,811 of tangible personal property tax that should have been posted to the Road and Bridge Fund (\$52,874) and Special Levy fund (\$96,937)
- \$10,775 - electronic payments that cleared the bank, however, not posted in the cash journal

Special Revenue

- \$1,553 - electronic payment that cleared the bank, however, not posted in the cash journal
- \$120,121 - EMS revenue posted to the Special Levy fund 2191, however should have been posted in the EMS levy fund 2281.

UNION TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2011-010 (Continued)

**Financial Statement Presentation (Continued)**

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

We recommend the Township's Fiscal Officer take steps to ensure the accurate and timely posting of receipts and expenditures 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 omission.

**Official's Response:**

The Township acknowledges the findings. The issues in this finding occurred during the former Fiscal Officer's term. The township will develop policies suggested by the auditor to ensure monitoring of finances.

**UNION TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code 5705.34 Certifying Tax Levies	No	Repeated as finding 2011-03
2008-002	Ohio Rev. Code 5705.38(A) – 5705.41(B) Approving Appropriations	No	Repeated as finding 2011-04
2008-003	Ohio Rev. Code 5705.36(A)(1) – Certification of Funds	No	Repeated as finding 2011-05
2008-004	Outstanding Cashier's Check	Yes	
2008-005	Timely Deposit of Receipts	No	Repeated as finding 2011-01
2008-006	Fiscal Responsibility/Board Monitoring of Financial Reports	No	Repeated as finding 2011-01
2008-007	Bank Reconciliations	No	Repeated as finding 2011-009
2008-008	Financial Statement Presentation	No	Repeated as finding 2011-010



# Dave Yost • 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  
SEPTEMBER 18, 2012