



Dave Yost • Auditor of State

**UNION TOWNSHIP
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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

November 8, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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 requires 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.

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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 and 2010 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 and 2010, 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 as of December 31, 2011 and 2010, of Union Township, Lawrence County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 Union Township 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 November 8, 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

November 8, 2012

UNION TOWNSHIP
LAWRENCE COUNTY

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$ 50,613	\$ 123,996	\$ 174,609
Licenses, Permits and Fees	76,971		76,971
Intergovernmental	36,802	100,969	137,771
Earnings on Investments	180	18	198
Miscellaneous	10,255	7,103	17,358
<i>Total Cash Receipts</i>	<u>174,821</u>	<u>232,086</u>	<u>406,907</u>
Cash Disbursements			
Current:			
General Government	131,692		131,692
Public Safety	11	42,340	42,351
Public Works	2,906	170,621	173,527
Human Services	1,807		1,807
Conservation-Recreation	139		139
Capital Outlay	70,900	23,700	94,600
Debt Service:			
Principal Retirement	17,959	20,542	38,501
Interest and Fiscal Charges	2,068	4,190	6,258
<i>Total Cash Disbursements</i>	<u>227,482</u>	<u>261,393</u>	<u>488,875</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(52,661)	(29,307)	(81,968)
Other Financing Receipts			
Other Debt Proceeds	56,780	110,220	167,000
<i>Total Other Financing Receipts</i>	<u>56,780</u>	<u>110,220</u>	<u>167,000</u>
<i>Net Change in Fund Cash Balances</i>	4,119	80,913	85,032
<i>Fund Cash Balances, January 1</i>	<u>108,267</u>	<u>238,750</u>	<u>347,017</u>
Fund Cash Balances, December 31			
Restricted	106,180	319,663	425,843
Unassigned (Deficit)	6,206		6,206
Fund Cash Balances, December 31	<u>\$ 112,386</u>	<u>\$ 319,663</u>	<u>\$ 432,049</u>

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 47,118	\$ 129,261	\$ 176,379
Licenses, Permits and Fees	74,320		74,320
Intergovernmental	40,051	130,006	170,057
Earnings on Investments	324	20	344
Miscellaneous	1,747	11,541	13,288
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	163,560	270,828	434,388
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	138,474		138,474
Public Safety	8,687	57,564	66,251
Public Works	6,995	175,906	182,901
Human Services	1,840		1,840
Conservation-Recreation	145		145
Capital Outlay	26,800	1,605	28,405
Debt Service:			
Principal Retirement	7,650	26,065	33,715
Interest and Fiscal Charges	3,350	6,162	9,512
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	193,941	267,302	461,243
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(30,381)	3,526	(26,855)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Other Debt Proceeds	24,800		24,800
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	24,800		24,800
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,581)	3,526	(2,055)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	113,848	235,224	349,072
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 108,267	\$ 238,750	\$ 347,017
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The notes to the financial statements are an integral part of this statement.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Lawrence County (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection. The Township contracts with the Union Township Volunteer Fire Department and the Proctorville Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 8 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township invests all available funds in an interest bearing checking account. In 2011, the Township also had one certificate of deposit.

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:

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire District Fund - This fund receives tax money for providing fire protection 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. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. 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. The classifications are as follows:

1. Nonspendable

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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.

G. 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.

H. 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
LAWRENCE COUNTY**

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

2. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. 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
Demand deposits	\$265,049	\$347,017
Certificates of deposit	167,000	
Total deposits	\$432,049	\$347,017

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,000	\$231,601	\$49,601
Special Revenue	292,424	342,306	49,882
Total	\$474,424	\$573,907	\$99,483

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$270,147	\$276,882	(\$6,735)
Special Revenue	359,500	261,393	98,107
Total	\$629,647	\$538,275	\$91,372

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,240	\$188,360	\$14,120
Special Revenue	282,200	270,828	(11,372)
Total	\$456,440	\$459,188	\$2,748

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,997	\$193,941	\$82,056
Special Revenue	334,125	267,302	66,823
Total	\$610,122	\$461,243	\$148,879

Contrary to Ohio law, appropriations exceeded actual resources in the Gasoline Tax Fund by \$29,668 and the Fire District Fund by \$34,995 at December 31, 2011 and in the Motor Vehicle License Fund by \$2,671 at December 31, 2010. Also, contrary to Ohio law, the Township did not encumber all commitments required by Ohio law.

5. Encumbrance Commitments

At December 31, 2011, the Township had encumbrance commitments in the Governmental Funds as follows:

General Fund	\$49,400
Total Encumbrances	\$49,400

6. Property Tax

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

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

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

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

7. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Lease Purchase Agreement	\$67,668	4.75%
GMC Sierra Installment Note	4,898	5.58%
Tractor Lease Purchase Agreement	16,903	4.60%
Paving Loan	<u>167,000</u>	2.11%
Total	<u><u>\$256,469</u></u>	

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

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

On December 17, 2010, the Township entered into a lease purchase agreement with Kansas State Bank of Manhattan for the purchase of a Case International Tractor, in the amount of \$24,800, at the rate of 4.60% per annum.

On October 13, 2011, the Township obtained a loan from PNC Bank, National Association for paving of Township roads, in the amount of \$167,000, at the rate of 2.11% per annum. The loan is collateralized by a certificate of deposit in the amount of the loan. On June 1, 2012, the Township retained bond counsel and canceled this loan. The Township then entered into a lease-purchase agreement for bonds in amount of \$146,600.

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

<u>Year ending December 31:</u>	<u>Lease Purchase Agreements</u>	<u>GMC Sierra Installment Note</u>	<u>Paving Loan</u>	<u>Total</u>
2012	\$33,773	\$5,047	\$105,924	\$144,744
2013	33,773		64,057	97,830
2014	<u>24,732</u>			<u>24,732</u>
	<u><u>\$92,278</u></u>	<u><u>\$5,047</u></u>	<u><u>\$169,981</u></u>	<u><u>\$267,306</u></u>

8. Retirement System

The Township's employees and officials 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 and 2010, 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.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

9. Risk Management

Risk Pool Membership

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

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

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

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$8,449.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

9. Risk Management (Continued)

Risk Pool Membership (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.

Contributions to OTARMA	
2011	2010
\$12,610	\$11,504

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.

10. Contingent Liabilities

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

11. Subsequent Events

On June 1, 2012, the Board of Trustees approved a resolution to enter into a lease-purchase agreement for bonds through Wesbanco, in amount of \$146,600.



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

To the Board of Trustees:

We have audited the financial statements of Union Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 8, 2012, 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 and has adopted Governmental Accounting Standards Board Statement No. 54 in 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2011-03 in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 8, 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 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

November 8, 2012

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

As of December 31, 2011, total appropriations exceeded total actual resources as follows:

Fund Name	Total Appropriations	Total Actual Resources	Variance
Gasoline Tax Fund	\$ 134,000	\$ 104,332	\$ 29,668
Fire District Fund	\$ 127,000	\$ 92,505	\$ 34,495

As of December 31, 2010, total appropriations exceeded total actual resources as follows:

Fund Name	Total Appropriations	Total Actual Resources	Variance
Motor Vehicle License Fund	\$ 22,000	\$ 19,329	\$ 2,671

This could result in the Township expending more money than is available.

We recommend the Fiscal Officer monitor estimated and actual revenues for all funds on a regular basis. In the situation where appropriations exceed actual resources, the Board of Trustees should adjust appropriations accordingly.

Officials' Response: The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

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

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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

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

During testing for 2011, we noted that 25% of transactions tested were not certified by the Fiscal Officer at the time of commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. In addition, at December 31, 2011, there were \$49,400 in obligations that were not recorded as encumbrances.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

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

Noncompliance Citation (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend no orders involving the expenditure of money be made unless the Fiscal Officer has certified the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

Officials' Response: The Township is attempting to correct these problems before the next audit.

FINDING NUMBER 2011-03

Material Weakness

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

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

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

During our testing, we noted the following items for 2010:

- The purchase of a Case International Tractor and the related debt issued were not posted to the Township's financial statements. As a result, an adjusting entry of \$24,800 was posted to Capital Outlay and Proceeds from Debt in the General Fund.
- \$21,528 in General Fund receipts were posted as Taxes instead of Intergovernmental.
- General Fund debt payments were posted as \$4,000 in Public Works and \$5,000 in General Government expenditures. As a result, the debt payments were reclassified to \$7,650 in Principal and \$1,350 in Interest.
- \$7,495 in Gasoline Tax debt payments were posted as Public Works expenditures. As a result, the debt payments were reclassified as \$6,455 in principal and \$1,040 in interest.
- Fire Fund debt payments were posted as \$18,395 in Capital Outlay and \$6,337 in Public Safety. As a result, the debt payments were reclassified as \$19,610 in Principal and \$5,122 in Interest.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-03 (Continued)

Material Weakness (Continued)

- \$5,673 in Fire Funds receipts were posted as Property Taxes instead of Miscellaneous receipts.
- \$5,633 in Fire Funds receipts were posted as Miscellaneous receipts instead of Intergovernmental receipts.

During our testing, we noted the following items for 2011:

- \$10,308 in General Fund receipts were posted as Property Taxes instead of Intergovernmental.
- \$19,501 in General Fund receipts were posted as Intergovernmental instead of Property Taxes.
- \$20,027 in General Fund debt payments were posted to General Governmental expenditures. As a result, the debt payments were reclassified as \$17,959 in Principal and \$2,068 in Interest.
- \$167,000 in debt issued was not posted. As a result \$56,780 was posted to the General Fund and \$110,220 to the Motor Vehicle License Fund as Proceeds from Debt.
- Unrecorded encumbrances totaling \$49,400 in the General Fund resulted in a reclassification from Unassigned Fund Balance to Restricted Fund Balance.
- Three payments, totaling \$70,900, for paving were misposted in the General Fund as Public Safety instead of Capital Outlay.
- Fire Fund debt payments were posted as \$3,732 in Capital Outlay and \$21,000 in Public Safety. As a result, the debt payments were reclassified as \$20,542 in Principal and \$4,190 in Interest.
- An expenditure, totaling \$12,700, for paving was posted to Public Works in the Motor Vehicle License Funds instead of Capital Outlay.

Adjustments and reclassification entries were required for 2010 and 2011 to properly classify revenues and expenditures and reflect fund balances. Improper posting of Township receipts and expenditures could result in material misstatement to the financial statements. Adjustments have been proposed/posted to the 2010 and 2011 financial statements as well as the Township's accounting records.

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

Officials' Response: The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 135.18(A) for uninsured and uncollateralized deposits	Yes	
2009-002	Ohio Rev. Code Section 5705.10(H) for advances made without approval	Yes	
2009-003	Ohio Rev. Code Section 5705.38 for appropriations not being approved or filed with the Lawrence County Auditor	Yes	
2009-004	Ohio Rev. Code Section 5705.41(B) for expenditures plus encumbrances exceeding appropriations	No	Partially Corrected. Reissued in the Management Letter
2009-005	Ohio Rev. Code Section 5705.41(D) for not properly encumbering	No	Not Corrected. Reissued as Finding 2011-02
2009-006	Sound Financial Reporting	No	Not Corrected. Reissued as Finding 2011-03

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Dave Yost • Auditor of State

UNION TOWNSHIP

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2012