



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**UNION TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Union Township
Highland County
8305 Quarry Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Highland County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 20, 2000

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**UNION TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$14,264	\$15,337	\$29,601
Intergovernmental	30,210	75,512	105,722
Earnings on Investments	306	366	672
Other Revenue	0	311	311
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	44,780	91,526	136,306
Cash Disbursements:			
Current:			
General Government	32,085	16,499	48,584
Public Works	0	70,759	70,759
Health	2,294	6,180	8,474
Debt Service:			
Redemption of Principal	0	2,250	2,250
Interest and Fiscal Charges	0	303	303
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	34,379	95,991	130,370
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	10,401	(4,465)	5,936
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	4,417	34,160	38,577
Fund Cash Balances, December 31	<hr/> \$14,818 <hr/>	<hr/> \$29,695 <hr/>	<hr/> \$44,513 <hr/>

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

**UNION TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$13,153	\$14,278	\$27,431
Intergovernmental	19,980	73,400	93,380
Earnings on Investments	226	592	818
Other Revenue	0	3,631	3,631
	<u>33,359</u>	<u>91,901</u>	<u>125,260</u>
Cash Disbursements:			
Current:			
General Government	29,019	0	29,019
Public Safety	0	4,930	4,930
Public Works	0	82,105	82,105
Health	2,119	7,366	9,485
Debt Service:			
Redemption of Principal	1,649	2,250	3,899
Interest and Fiscal Charges	632	454	1,086
Capital Outlay	0	1,620	1,620
	<u>33,419</u>	<u>98,725</u>	<u>132,144</u>
Total Receipts Over/(Under) Disbursements	<u>(60)</u>	<u>(6,824)</u>	<u>(6,884)</u>
Fund Cash Balances, January 1	<u>4,477</u>	<u>40,984</u>	<u>45,461</u>
Fund Cash Balances, December 31	<u>\$4,417</u>	<u>\$34,160</u>	<u>\$38,577</u>

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

**UNION TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Deposits are held in a public fund NOW checking account with a local bank.

D. Fund Accounting

The Township uses fund accounting to segregate deposits that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - These funds receive motor vehicle registration tax money for constructing, maintaining, and repairing Township roads.

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.

**UNION TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Fund - This fund receives tax money and cemetery sales money for maintaining and repairing Township cemeteries.

Fire Levy Fund - This fund receives local taxes to contract with other political subdivisions to provide fire protection.

Permissive Motor Vehicle Tax Fund - This fund receives money for constructing, maintaining, and repairing Township roads from all motor vehicle licenses sold in 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 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 carried over, and need not be re-appropriated. However, the Township did not use the encumbrance method of accounting. A review was performed to determine the amount of encumbrances at year-end which were not recorded. As of December 31, 1999 and 1998, there were no material unrecorded encumbrances outstanding.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

**UNION TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS (Continued)

	1999	1998
Demand Deposits	\$44,513	\$38,577

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,795	\$44,780	\$14,985
Special Revenue	90,210	91,526	1,316
Total	\$120,005	\$136,306	\$16,301

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,379	\$34,379	\$0
Special Revenue	95,991	95,991	0
Total	\$130,370	\$130,370	\$0

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,321	\$33,359	\$38
Special Revenue	93,122	91,901	(1,221)
Total	\$126,443	\$125,260	(\$1,183)

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,419	\$33,419	\$0
Special Revenue	98,679	98,725	(46)
Total	\$132,098	\$132,144	(\$46)

**UNION TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Township Hall Improvement Note	\$5,832	8.45%
Truck Note	2,250	6.65%
Total	\$8,082	

The Truck Notes relate to the acquisition of a truck. The Township approved \$11,250 for this acquisition. The Township Hall Improvement Notes relate to the improvement of the Township Hall. The Township approved \$9,000 for this improvement project. Required annual payments on the Truck Note were made in February of 1999 and 1998. An annual payment was made on the Township Hall Improvement Note in July of 1998. However, the 1999 payment of \$2,281 on the Township Hall Improvement Note was not made as of December 31, 1999.

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

Year ending December 31:	Truck Note	Township Hall Improvements Note
2000	2,400	4,562
2001	0	2,281
Total	\$2,400	\$6,843

The Township remitted \$5,794 on July 11, 2000 to retire Township Hall Improvement Note early.

6. RETIREMENT SYSTEMS

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

**UNION TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for comprehensive property and general liability risks.

The Township is a member of the Ohio Township Association Risk Management Authority, a local government risk pool (the pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Vehicle

The Township also provides health and life insurance coverage to full-time employees through American Community Mutual Insurance Company.

The Township has obtained officials' bonds through Ohio Casualty Insurance Company.

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

Union Township
Highland County
8305 Quarry Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-40436-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 20, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

June 20, 2000

**UNION TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40436-001

Reportable Condition

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides an "exception" to the above requirements:

1. The and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from receipt of the certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township did not certify the availability of funds for any expenditures. Then and Now Certificates were used for 100% of the Township's expenditures. Although the Board of Trustees approve the listing of bills in the minute records, they did not make resolutions to authorize the issuance of warrants for those expenditures over \$1,000.



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UNION TOWNSHIP

MARION 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
AUGUST 22, 2000**