



**Auditor of State
Betty Montgomery**

**UNION TOWNSHIP
PIKE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Pike County
1206 Germany Road
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 *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 Union Township, Pike County, as of December 31, 2002 and 2001, 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 August 12, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Union Township
Pike County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 12, 2003

**UNION TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,648	\$20,562	\$29,210
Intergovernmental	20,406	57,244	77,650
Earnings on Investments	87	123	210
Other Revenue	612	1,186	1,798
	<u>29,753</u>	<u>79,115</u>	<u>108,868</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	28,927		28,927
Public Safety		10,489	10,489
Public Works		37,287	37,287
Health	159	7,897	8,056
Debt Service:			
Redemption of Principal		9,317	9,317
Capital Outlay	4,886	10,512	15,398
	<u>33,972</u>	<u>75,502</u>	<u>109,474</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,219)</u>	<u>3,613</u>	<u>(606)</u>
Other Financing Receipts			
Proceeds from Sale of Public Debt:			
Sale of Notes		6,117	6,117
	<u>0</u>	<u>6,117</u>	<u>6,117</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(4,219)</u>	<u>9,730</u>	<u>5,511</u>
Fund Cash Balances, January 1	<u>4,382</u>	<u>26,224</u>	<u>30,606</u>
Fund Cash Balances, December 31	<u>\$163</u>	<u>\$35,954</u>	<u>\$36,117</u>

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

**UNION TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,239	\$19,956	\$28,195
Intergovernmental	21,678	60,763	82,441
Earnings on Investments	297	42	339
Other Revenue	1,334	351	1,685
	<u>31,548</u>	<u>81,112</u>	<u>112,660</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	31,499		31,499
Public Safety	500	9,980	10,480
Public Works		47,439	47,439
Health	152	6,585	6,737
Debt Service:			
Redemption of Principal		26,319	26,319
Interest and Fiscal Charges		992	992
Capital Outlay	4,885	2,695	7,580
	<u>37,036</u>	<u>94,010</u>	<u>131,046</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,488)</u>	<u>(12,898)</u>	<u>(18,386)</u>
Other Financing Receipts			
Proceeds from Sale of Public Debt:			
Sale of Notes		18,634	18,634
	<u>0</u>	<u>18,634</u>	<u>18,634</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,488)	5,736	248
Fund Cash Balances, January 1	<u>9,870</u>	<u>20,488</u>	<u>30,358</u>
Fund Cash Balances, December 31	<u>\$4,382</u>	<u>\$26,224</u>	<u>\$30,606</u>

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

**UNION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Union Township, Pike 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 road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Beaver and Stockdale Fire Department to provide fire protection 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.

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

C. Cash

The township has one checking account and had no investments during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund 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 Fund:

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

**UNION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and function 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. The Township did not use the encumbrance method of accounting.

A summary of 2002 and 2001 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

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$36,117</u>	<u>\$30,606</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**UNION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,753	\$29,753	\$0
Special Revenue	79,098	85,232	6,134
Total	\$108,851	\$114,985	\$6,134

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,041	\$33,972	\$10,069
Special Revenue	86,851	75,502	11,349
Total	\$130,892	\$109,474	\$21,418

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,479	\$31,548	\$69
Special Revenue	86,057	99,746	13,689
Total	\$117,536	\$131,294	\$13,758

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,041	\$37,036	\$7,005
Special Revenue	83,154	94,010	(10,856)
Total	\$127,195	\$131,046	(\$3,851)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$17,117 in the Gasoline Tax Fund and \$1,036 in the Fire Fund for the year ended December 31, 2001. Contrary to Ohio law, the Township did not certify the availability of funds prior to incurring any obligations. Also, contrary to Ohio Law, appropriations exceeded total estimated resources by \$9,906 in the General Fund and \$1,073 in the Motor Vehicle License Fund for the year ended December 31, 2002.

**UNION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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.

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

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

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

5. DEBT

Debt outstanding at December 31, 2002, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note		
Backhoe	<u>\$6,117</u>	<u>5.00%</u>

The general obligation note was for a backhoe purchased on March 10, 2000. The original note was for \$17,000. The note is collateralized solely by the Township's taxing authority. The total amount due is \$6,423, including interest, in 2003.

6. RETIREMENT SYSTEMS

The Township's elected officials and 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**UNION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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**Auditor of State
Betty Montgomery**

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

Union Township
Pike County
1206 Germany Road
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 12, 2003. 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 *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 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 August 12, 2003.

Union Township
Pike County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 12, 2003

**UNION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Finding for Recovery

Ohio Const. Art. II, Section 20 prohibits in-term increases in compensation for elected and appointed officials.

The Union Township Trustees reimbursed John Moore, Trustee, the cost of his out of pocket insurance expenses. Mr. Moore was reimbursed \$4,993.97 from the time period August 3, 2000 to November 2, 2002. The Township acted on the County Prosecutor's advice to reimburse the Trustee the cost of his out of pocket insurance expenses. However, because the decision to begin reimbursement occurred during the term of Mr. Moore, the reimbursement constitutes an in-term increase in compensation.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against John Moore, Trustee, and Ohio Farmers Insurance Company, jointly and severally, in the amount of four thousand nine hundred ninety three dollars and ninety seven cents (\$4,993.97) and in favor of the General Fund of Union Township.

FINDING NUMBER 2002-002

Finding for Recovery

Ohio Const. Art. II, Section 20 prohibits in-term increases in compensation for elected and appointed officials.

The Union Township Trustees reimbursed Lendel Jessie, Trustee, the cost of his out of pocket insurance expenses. Mr. Jessie was reimbursed \$1,287 from the time period August 3, 2000 to December 27, 2002. The Township acted on the County Prosecutor's advice to reimburse the Trustee the cost of his out of pocket insurance expenses. However, because the decision to begin reimbursement occurred during the term of Mr. Jessie, the reimbursement constitutes an in-term increase in compensation.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Lendel Jessie, Trustee, and Ohio Farmers Insurance Company, jointly and severally, in the amount of one thousand two hundred eighty seven dollars and zero cents (\$1,287.00) and in favor of the General Fund of Union Township.

FINDING NUMBER 2002-003

Noncompliance Citation

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

Expenditures exceeded appropriations in the Gasoline Tax Fund by \$17,117 (33%), and Fire Fund by \$1,036 (12%) at December 31, 2001.

The Township Clerk should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**UNION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code §5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. 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 two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that, both at the time that the contract or order was made and at the time she is completing her certification, a sufficient sum was 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 the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

All of the liabilities, contracts, and open purchase commitments greater than \$1,000 were not certified by the Township Clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Township Clerk certify the availability of funds prior to incurring any obligations.

FINDING NUMBER 2002-005

Noncompliance Citation

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources for that fund.

In 2002, appropriations exceeded estimated resources in the following funds: General Fund by \$9,906 (29%), and Motor Vehicle License Fund by \$1,073 (18%). This could result in the obligation of funds for which the Township would not be able to pay the bills.

We recommend that appropriations only be approved by the Board of Trustees for an amount not exceeding the amount of the estimated resource.

**UNION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40766-001	Revised Code 5705.41(D), failure to certify funds	No	Not Corrected, reissued as Finding Number 2002-004.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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UNION TOWNSHIP

PIKE 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 6, 2003**