



**Auditor of State  
Betty Montgomery**



**UNION TOWNSHIP  
FAYETTE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Union Township  
Fayette County  
1376 Robinson Road  
Washington Courthouse, Ohio 43160

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Fayette 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 audits.

We conducted our audits 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 audits provide 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 and reserves for encumbrances of the Township 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 March 18, 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.

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 Section 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

March 18, 2003

UNION TOWNSHIP  
FAYETTE COUNTY

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$98,464	\$204,733	\$0	\$303,197
Intergovernmental	51,647	111,173	0	162,820
Licenses, Permits, and Fees	0	6,228	0	6,228
Earnings on Investments	1,916	5,750	0	7,666
Miscellaneous	3,108	2,474	0	5,582
<b>Total Cash Receipts</b>	<u>155,135</u>	<u>330,358</u>	<u>0</u>	<u>485,493</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	91,943	1,060	0	93,003
Public Safety	320	191,007	0	191,327
Public Works	0	129,184	0	129,184
Health	10,431	1,345	0	11,776
Capital Outlay	1,158	0	0	1,158
<b>Total Cash Disbursements</b>	<u>103,852</u>	<u>322,596</u>	<u>0</u>	<u>426,448</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>51,283</u>	<u>7,762</u>	<u>0</u>	<u>59,045</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Sources				0
Other Uses	(4,280)	0	0	(4,280)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(4,280)</u>	<u>0</u>	<u>0</u>	<u>(4,280)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	47,003	7,762	0	54,765
<b>Fund Cash Balances, January 1</b>	<u>457,313</u>	<u>312,469</u>	<u>3,000</u>	<u>772,782</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$504,316</b></u>	<u><b>\$320,231</b></u>	<u><b>\$3,000</b></u>	<u><b>\$827,547</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

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

UNION TOWNSHIP  
FAYETTE COUNTY

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$99,190	\$207,840	\$0	\$307,030
Intergovernmental	72,008	88,985	0	160,993
Licenses, Permits, and Fees	0	6,120	0	6,120
Earnings on Investments	5,626	16,869	0	22,495
Miscellaneous	5,451	4,998	0	10,449
	<u>182,275</u>	<u>324,812</u>	<u>0</u>	<u>507,087</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	98,175	3,510	0	101,685
Public Safety	80	200,098	0	200,178
Public Works	0	122,473	0	122,473
Health	4,805	922	0	5,727
Capital Outlay	3,013	2,314	0	5,327
	<u>106,073</u>	<u>329,317</u>	<u>0</u>	<u>435,390</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>76,202</u>	<u>(4,505)</u>	<u>0</u>	<u>71,697</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Uses	<u>(730)</u>	<u>0</u>	<u>0</u>	<u>(730)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(730)</u>	<u>0</u>	<u>0</u>	<u>(730)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	75,472	(4,505)	0	70,967
Fund Cash Balances, January 1	<u>381,841</u>	<u>316,974</u>	<u>3,000</u>	<u>701,815</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$457,313</b></u>	<u><b>\$312,469</b></u>	<u><b>\$3,000</b></u>	<u><b>\$772,782</b></u>
Reserve for Encumbrances, December 31	<u>\$315</u>	<u>\$175</u>	<u>\$0</u>	<u>\$490</u>

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



**UNION TOWNSHIP  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Union Township, Fayette County, Ohio (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 Washington Court House to provide fire services and 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 Investments**

During the fiscal years 2002 and 2001, the Township's funds were deposited in a "NOW" checking account and invested in a repurchase agreement with a local commercial bank. The repurchase agreement is valued at cost. Interest income is distributed to the Township funds based upon the Ohio Constitution.

**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 Funds

Road and Bridge Fund

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

**UNION TOWNSHIP  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Gasoline Tax Fund

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

Motor Vehicle License Tax Fund

This fund receives license tax money to pay for maintaining and repairing Township roads.

Cemetery Fund

This fund receives tax money and fees from the sale of lots for the purpose of maintaining and operating the Township cemeteries.

Fire Levy Fund

This fund receives property tax money for the provision of fire protection.

Zoning Fund

This fund receives fees from the sale of zoning permits for the purpose of enforcing zoning codes within the Township.

Permissive Motor Vehicle License Fund

This fund receives tax money for maintaining and repairing Township roads.

**3. Fiduciary Funds (Nonexpendable Trust Fund)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had a nonexpendable trust fund used to account for the funds held in trust for specific uses in the cemetery. Only the interest earnings can be expended. Interest earnings are posted to the general fund and expenditures related to the cemetery are made from the general fund.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund, (except nonexpendable trust 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. Unencumbered appropriations lapse at year end.

**UNION TOWNSHIP  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investment 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	\$44,943	\$44,425
Investments - Repurchase Agreement	782,604	728,357
Total deposits and investments	<u>\$827,547</u>	<u>\$772,782</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township participates in an overnight sweep account repurchase agreement with a local commercial depository. The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

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

**UNION TOWNSHIP  
FAYETTE COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$184,765	\$155,135	(\$29,630)
Special Revenue	340,693	330,358	(10,335)
Total	<u>\$525,458</u>	<u>\$485,493</u>	<u>(\$39,965)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,260	\$108,132	\$64,128
Special Revenue	445,075	322,596	122,479
Total	<u>\$617,335</u>	<u>\$430,728</u>	<u>\$186,607</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,685	\$182,275	(\$3,410)
Special Revenue	342,763	324,812	(17,951)
Total	<u>\$528,448</u>	<u>\$507,087</u>	<u>(\$21,361)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$318,050	\$107,118	\$210,932
Special Revenue	379,500	329,492	50,008
Total	<u>\$697,550</u>	<u>\$436,610</u>	<u>\$260,940</u>

**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.

**UNION TOWNSHIP  
FAYETTE COUNTY**

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

**5. RETIREMENT SYSTEMS**

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. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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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  
Fayette County  
1376 Robinson Road  
Washington Courthouse, Ohio 43160

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 18, 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 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 2002-60624-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 18, 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 March 18, 2003.

Union Township  
Fayette 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

March 18, 2003



UNION TOWNSHIP  
FAYETTE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-60624-001

**Non-Compliance Citation**

Ohio Rev. Code, Section 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 purpose 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 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.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Thirty four percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Code. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the Township funds.





**Auditor of State  
Betty Montgomery**

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**UNION TOWNSHIP**

**FAYETTE 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  
APRIL 8, 2003**