



**Auditor of State
Betty Montgomery**

**UNION TOWNSHIP
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Non-Expendable Trust Fund For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Non-Expendable Trust Fund For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Warren County
285 Pike Street
South Lebanon, Ohio 45065

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2002 and December 31, 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 and reserves for encumbrances of the Township as of December 31, 2002 and December 31, 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 October 17, 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 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

October 17, 2003

**UNION TOWNSHIP
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable (Trust)</u>	
Cash Receipts:				
Local Taxes	\$77,828	\$290,629	\$0	\$368,457
Intergovernmental	61,567	102,497		164,064
Special Assessments		15,351		15,351
Licenses, Permits, and Fees		38,360		38,360
Earnings on Investments	1,969	445		2,414
Other Revenue	10,333	49,770		60,103
Total Cash Receipts	<u>151,697</u>	<u>497,052</u>	<u>0</u>	<u>648,749</u>
Cash Disbursements:				
Current:				
General Government	155,232	0		155,232
Public Safety	3,606	272,746		276,352
Public Works	4,462	122,292		126,754
Health	1,640	50,306		51,946
Conservation - Recreation	1,287	0		1,287
Capital Outlay	11,452	0		11,452
Total Cash Disbursements	<u>177,679</u>	<u>445,344</u>	<u>0</u>	<u>623,023</u>
Total Receipts Over/(Under) Disbursements	<u>(25,982)</u>	<u>51,708</u>	<u>0</u>	<u>25,726</u>
Other Financing Receipts and (Disbursements):				
Advances-In		2,500		2,500
Advances-Out	(2,500)			(2,500)
Total Other Financing Receipts/(Disbursements)	<u>(2,500)</u>	<u>2,500</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(28,482)</u>	<u>54,208</u>	<u>0</u>	<u>25,726</u>
Fund Cash Balances, January 1	<u>63,575</u>	<u>196,232</u>	<u>705</u>	<u>260,512</u>
Fund Cash Balances, December 31	<u>\$35,093</u>	<u>\$250,440</u>	<u>\$705</u>	<u>\$286,238</u>
Reserve for Encumbrances, December 31	<u>\$6,744</u>	<u>\$13,099</u>	<u>\$0</u>	<u>\$19,843</u>

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

**UNION TOWNSHIP
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$79,385	\$294,838	\$0	\$0	\$374,223
Intergovernmental	96,659	93,825	53,326		243,810
Special Assessments		15,718			15,718
Licenses, Permits, and Fees		35,070			35,070
Earnings on Investments	3,347	618	0		3,965
Other Revenue	10,297	57,522	0		67,819
Total Cash Receipts	<u>189,688</u>	<u>497,591</u>	<u>53,326</u>	<u>0</u>	<u>740,605</u>
Cash Disbursements:					
Current:					
General Government	151,811	0	0		151,811
Public Safety	3,818	207,282	0		211,100
Public Works	3,462	141,921	0		145,383
Health	7,036	51,866			58,902
Conservation - Recreation	147	0	0		147
Debt Service:					
Redemption of Principal		30,000			30,000
Interest and Fiscal Charges	0	1,560	0		1,560
Capital Outlay	68,196	16,000	53,326		137,522
Total Cash Disbursements	<u>234,470</u>	<u>448,629</u>	<u>53,326</u>	<u>0</u>	<u>736,425</u>
Total Receipts Over/(Under) Disbursements	<u>(44,782)</u>	<u>48,962</u>	<u>0</u>	<u>0</u>	<u>4,180</u>
Other Financing Receipts:					
Advances-In		5,000			5,000
Advances-Out	(5,000)				(5,000)
Total Other Financing Receipts	<u>(5,000)</u>	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(49,782)</u>	<u>53,962</u>	<u>0</u>	<u>0</u>	<u>4,180</u>
Fund Cash Balances, January 1	<u>113,357</u>	<u>142,270</u>	<u>0</u>	<u>705</u>	<u>256,332</u>
Fund Cash Balances, December 31	<u><u>\$63,575</u></u>	<u><u>\$196,232</u></u>	<u><u>\$0</u></u>	<u><u>\$705</u></u>	<u><u>\$260,512</u></u>
Reserve for Encumbrances, December 31	<u><u>\$4,788</u></u>	<u><u>\$12,107</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$16,895</u></u>

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

**UNION TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Union Township, Warren 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical 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. 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.

Special Levy – Fire Fund

This fund receives proceeds from the property tax fire levy for providing fire protection to Township residents.

Special Levy – Ambulance Fund

This fund receives proceeds from the property tax ambulance levy for providing emergency services to Township residents.

**UNION TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Community Development Block Grant Fund

Used to record the related receipts and expenditures of benefits received for state grant.

4. Fiduciary Fund

These funds are used to account for resources restricted by a legally binding trust agreement and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Scott Crane Trust Fund

This fund is used to account for activity in the nonexpendable cemetery trust account.

D. Cash and Deposits

During fiscal years 2002 and 2001, the Township funds were deposited in an interest bearing checking account.

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. Unencumbered appropriations lapse at year end.

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.

**UNION TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 DEPOSITS

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

	2002	2001
Deposits:		
Demand deposits	\$286,238	\$260,512
Total deposits	\$286,238	\$260,512

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,220	\$151,697	(\$28,523)
Special Revenue	538,687	497,052	(41,635)
Capital Projects	212,180	0	(212,180)
Fiduciary	0	0	0
Total	\$931,087	\$648,749	(\$282,338)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,010	\$184,423	\$64,587
Special Revenue	730,453	458,443	272,010
Capital Projects	212,180	0	212,180
Fiduciary	0	0	0
Total	\$1,191,643	\$642,866	\$548,777

**UNION TOWNSHIP
WARREN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,650	\$189,688	\$12,038
Special Revenue	529,577	497,591	(31,986)
Capital Projects	206,000	53,326	(152,674)
Fiduciary	0	0	0
Total	\$913,227	\$740,605	(\$172,622)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$291,007	\$239,258	\$51,749
Special Revenue	668,847	460,736	208,111
Capital Projects	206,000	53,326	152,674
Fiduciary	705	0	705
Total	\$1,166,559	\$753,320	\$413,239

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. RETIREMENT SYSTEMS

The Township's officials and 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 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, members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

**UNION TOWNSHIP
WARREN COUNTY**

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

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.

7. SUBSEQUENT EVENTS

The Township has entered into the following two agreements subsequent to the financial statement date:

- A resolution was passed on January 6, 2003 to enter into a contract with E-One to purchase a fire truck for \$375,302
- A resolution was passed on May 19, 2003 to enter into a loan agreement with the Ohio Public Works Commission to borrow \$84,740

8. CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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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
Warren County
285 Pike Street
South Lebanon, Ohio 45065

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated October 17, 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 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 17, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also 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 October 17, 2003.

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

October 17, 2003

**UNION TOWNSHIP
WARREN 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

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure 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 only needs to be signed by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirement.

- A. Then 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 Township 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 \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Township Trustees, if such expenditure is otherwise valid.

The Township failed to properly certify the availability of funds in 22% of expenditures tested and neither of the two exceptions provided for were used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the Township to properly utilize the encumbrance method of accounting by obtaining proper certification of the available funds on properly approved purchase orders. We recommend the Township obtain approved purchase orders, which contain the proper certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. The Township was cited for noncompliance with this code section in the prior year audit report.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code, Section 9.38, states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. Only the legislative authority may adopt this policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a less amount can not be safeguarded, the public official must then deposit the money on the next business day.

During testing, we noted that 20% of other revenue and 66% of licenses, permits and fees were not deposited in accordance with the Ohio Revised Code. Not depositing funds properly could allow for the misappropriation of the Township funds. We recommend the Township implement procedures and/or a policy to ensure that all public moneys are deposited with a properly designated depository on the business day following the day of receipt.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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UNION TOWNSHIP

WARREN 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 13, 2003**